



COTTAGE GROVE ECONOMIC
DEVELOPMENT AUTHORITY
12800 RAVINE PARKWAY SOUTH
COTTAGE GROVE, MN 55016
COUNCIL CHAMBER

August 12, 2025

- 7:30 AM

- 1 Call to Order
- 2 Pledge of Allegiance
- 3 Roll Call
- 4 Approval of Minutes
 - A 06/07/2025 EDA Meeting Minutes
- 5 Business Items
 - A Economic Development Update
 - B Bellagala Business Subsidy Agreement
- 6 Public Hearings
- 7 Other Business
- 8 Workshop
- 9 Presentations
- 10 Adjournment



MINUTES

June 17, 2025

COTTAGE GROVE ECONOMIC DEVELOPMENT AUTHORITY MEETING

12800 Ravine Parkway South
Cottage Grove, MN 55016

COUNCIL CHAMBER - 7:30 A.M.

Pursuant to due call and notice thereof, a joint meeting of the Economic Development Authority was held on the 17th day of June, 2025, at 7:30 a.m.

1. CALL TO ORDER

The Cottage Grove Economic Development Authority (EDA) meeting was called to order at 7:30 a.m. by EDA President Myron Bailey.

2. PLEDGE OF ALLEGIANCE

EDA President Bailey asked everyone to please stand and join in reciting the Pledge of Allegiance.

3. ROLL CALL

Becca Blair, Administration Specialist, called the roll:

EDA President Bailey-Here; EDA Vice President Olsen-Here; EDA Member Jean-Baptiste-Here; EDA Member Khambata-Absent; EDA Member Latack-Here; EDA Member Scott-Here; EDA Member Tschida-Here.

Staff Present: Jennifer Levitt, City Administrator
Jaime Mann, Assistant to the City Administrator
Becca Bair, Administration Specialist
Phil Jents, Communications Manager

Others Present: HVS: Tom Hazinski, Henry Detmer, Tarika Jain (Online video)

4. APPROVAL OF MINUTES

A. *Staff Recommendation: Approve the April 8, 2025 Economic Development Authority Meeting Minutes.*

EDA Vice President Olsen made a motion to approve the April 8, 2025 Economic Development Authority Meeting Minutes. Motion was seconded by EDA Member Tschida. Motion passed unanimously (6-to-0 vote).

5. BUSINESS ITEMS

A. Hotel Room Leakage Analysis Report
Staff Recommendation: Receive the report from HVS.

EDA President Bailey said HVS will be making this presentation online, and he turned it over to them.

Tom Hazinski, Managing Director of HVS Convention, Sports, & Entertainment said good morning, everyone, let me introduce our team: We're very pleased to have worked for you to do this analysis. Our Minneapolis group has done some work in the area and that's how we came on to understand what you needed and be engaged. The leads on our project are Henry Detmer and Tarika Jane that did the lion's share of the work on this; I kind of oversaw it generally, but they were in the weeds on the study, so I am going to turn it over to Henry and Tarika to present a summary of our findings, which were provided to you in a narrative report, which I hope you have. We'll just go over the highlights of that report in our presentation today. So, Henry, please take it away.

Henry replied thank you, Tom. Good morning, everyone. I apologize if my voice is a little bit hoarse, I've been sick the last couple of days, but hopefully its not too bad. I'm going to be presenting our Hotel Room Nights Leakage Analysis and our overall findings. So, just to give an overview of what we're going to get into today, just an Introduction & Scope Review of what we did, Market Overview, and our Hotel Leakage Analysis findings, and then I'll open it up for Conclusion & Discussion.

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Introduction: So, a little introduction of ourselves, HVS CSE is a division of HVS, founded in 2001. We pride ourselves as a very independent and objective third party that's going to present the results and findings and not necessarily be a cheerleader on the project present you the real results that you need. Market Overview: Cottage Grove, as I'm sure you all know, has a population of just around 40,000 or a little bit more, and is a 17-minute drive from the MSP Airport. Length of Stay: Getting into some of the visitation numbers, which is really what we care about when we're talking about Hotel Room Nights and Hotel Room Nights Leakage, over the last 12 months (which is the unit of time that we're going to be using for all of this Placer data) there were 99,500 distinctive overnight visits made to Cottage Grove. This amounted to a little bit over 300,000 visit nights, so that's about three days on average Length of Stay. While there are 300,000 visit nights, this doesn't necessarily mean that there's 300,000 heads in beds in Cottage Grove or because of Cottage Grove's events, this is because of a lot of family-related events in Cottage Grove, and all of these may not result in hotel room demand.

Tom said Henry, just so I can interject, to explain the data source that we used here, Henry referenced Placer.ai, its a data source that we subscribe to, which is locational data, it's done by tracking cell phones, hundreds of apps on cell phones, and the data is anonymized and it gives us a sample of people that have traveled to Cottage Grove. It gives us information on the origin of the travel, how long they stayed, and where they went when they were in the market. So these are estimates, they don't track all cell phones. So, they get a panel of phones and they also check it against other sources of data they have, like credit card information to validate, but it produces an estimate of total stays based on where these people come from, the percentage of phones they have, and it even tells us about their average income and a lot of other characteristics that are correlated with the data they have. So, that's our primary data source that we're using for this. We also are using Smith Travel Research (STR) data, which is the industry source of data on hotel occupancy and rate; it's reported by the hotels to Smith Travel, and then again anonymously provided on groups of hotels to people who subscribe to the database. So, those are the primary sources that we're using and that's what you're seeing. Keep in mind these are estimates, we think that they are, we deem them to be pretty accurate, but they are estimates so don't take the numbers to be exact, take them as a good indicator of what total volumes of visits are and what the nature of the visits are. Go ahead, Henry.

Henry said so getting into some of the Overnight Visitor Origins, as we look at some of the top destinations that people are coming from, you see Duluth and Mankato at the top there, with 24,000 and a little over 19,000, respectively. Interestingly, Mankato has a much higher length of stay than many of the other destinations we see like Duluth, Chicago, Rochester. Then, as we look down the list a little bit, Madison, Minneapolis, Fargo are bringing a little bit less people, but those are obviously, aside from Minneapolis where there are a lot of daytrips, but Fargo and Madison are a little bit farther destinations.

Lodging Supply in Cottage Grove: As we look at Leakage, it's important to look at the current Lodging Supply in Cottage Grove; there are currently two hotels, the Country Inn & Suites, which is an Upper Midscale property in terms of chain scale and quality, 76 rooms, and the Wakota Inn & Suites, which is Economy and has 31 additional guest rooms. So, a total of 107 rooms, most of which are Upper Midscale, which is pretty limited in Cottage Grove's ability to accommodate surges in visitation for any event, and there are currently no Upper Upscale or Luxury Chain Scale properties, which is really what a lot of corporate travel and higher spending leisure travel are looking for when they're visiting. Lodging Supply in Dakota and Washington Counties: When we look at location of Lodging Supply and the quality, we use ESRI here to map our hotel supply data from STR. So, this is the Lodging Supply in Dakota and Washington Counties, and as you see, there's kind of three groupings around Cottage Grove of hotels and that's in Woodbury, Inver Grove, and Hastings. You can see that there's a little bit more of a diverse spread to their supply: There are two Upscales and a Luxury in Woodbury, an Upscale and a Luxury in Inver Grove, and then an Upper Upscale in Hastings. So, that's just kind of a brief overview and shows you the surrounding supply where people might be leaking to primarily.

Hotel Leakage Analysis

So, as we look at visitation and demand drivers in Cottage Grove, we grouped them up into three categories:

- 1) Wedding Venues: Hope Glen Farm, River Oaks Event Center, and The Madison.
- 2) Corporate Travel: 3M, Renewal by Andersen, American Distribution & Manufacturing Company, Van Meter, Inc. and a couple others. This doesn't catch the entire travel source in Cottage Grove, but these are the ones that we selected, which give us a good representation of what the rest of visitation in Cottage Grove looks like.
- 3) Sports & Recreation: Cottage Grove Ice Arena, Kingston Park holds events like soccer tournaments and the Strawberry Festival, Oakwood Park Disc Golf Course, Hamlet Park. We couldn't include Wolfpack Stadium because I'm aware that's on school grounds and Placer isn't allowed to give data on school facilities, so that's a limitation; but we think the areas we selected are representative of Sports & Recreation visitation as a whole in Cottage Grove.

Hotel Same-Day Visit Leakage: Off the hotel visits that we were able to track, which is based on same-day visitation, if they went to one of these venues that we selected and then in the same day visited a hotel, we'll count them as having stayed at a hotel. Because typically if you go to a hotel, you're going to be staying there. So, Business and Corporate Travel has the highest percentage of leakage with 87% there as you can see, Sports & Recreation is close to 70%, and then a lot of the Wedding Events & Venues don't have a lot of leakage at almost 27%, so a lot of those people are held in Cottage Grove at the Country Inn & Suites or the Wakota.

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So, overall, for every 10 people, approximately 7 of them stay outside of Cottage Grove just to put it simply. As we discussed before, leakage is highest in Corporate and Sports & Recreation visitors.

Estimate of Hotel Room Night Leakage: Over the past most recent 12 months it's about 58,000, and this is based on the Lodging Capacity in Cottage Grove and the current Room Nights Sold. So, this is our estimate of how much is currently being retained in Cottage Grove: 24,000 Room Nights, and then scaling it up with our Estimated Hotel Leakage Factor, which is based on the Leakage Percentage that we gathered from Placer.ai, we find that over 58,000 people are likely staying outside of Cottage Grove as a result of Cottage Grove demand generation. This is a rough estimate but likely conservative estimate.

Estimated Leakage (Trailing 12 Months): Moving on to what Estimated Leakage means, with an Average Daily Rate of \$125 in Cottage Grove, the Hotel Revenue Leakage is over \$7 million, and at a 3% Local Occupancy Tax Rate, this equals over \$220,000 in Annual Lost Tax Revenue and in Local Sales Tax Revenue it's over \$20,000. So, these numbers show that there is significant Leakage occurring in Cottage Grove.

Conclusion & Discussion

Key Takeaways:

- The current supply of lodging in Cottage Grove of 107 rooms is insufficient to meet the lodging needs generated by Corporate activity and Sports & Recreation.
- The significant Room Night Leakage of 70% is a high number; over the last 12 months, this is over 58,000 Room Nights.
- This translates to over \$7 million in lost Hotel Revenue and over \$220,000 in lost Occupancy Tax Revenue.
- We can't say anything in this study as to the cause of this leakage; it may result from a variety of factors beyond just hotel supply, including: Limited surrounding demand drivers, absence of nearby retail, dining, or entertainment options, amenities for groups, or preferred hotel brands that would encourage overnight stays in Cottage Grove.
- Additionally, this study makes no projection for the performance of new lodging supply; so, we make no projection of how it will perform if a new hotel gets built.

Henry said with that, I can open it up for discussion or questions.

EDA President Bailey said all right, thank you. First of all, I guess I'll throw it out to the EDA; are there any questions that you have regarding the study.

EDA Member Latack said one question I have for the business traveler is the loyalty program, is that pretty important regarding where they're deciding to stay?

Tom replied yes, it is. It is a driver in a couple of ways: It's a driver of hotel choice on the part of business travelers. They have their own personal loyalty programs and most travelers are enrolled in more than one of those loyalty programs, but it really is a big factor in the draw to branded hotels rather than independent hotels. Also, the corporations like 3M or Renewal by Andersen may have corporate contracts with hotels, and they guarantee a certain number of Room Nights a year in exchange for a lower rate. So, that's also a big determinant of hotel choice. So, when you think about hotel development for Cottage Grove, it would make sense to have branded hotel development in Cottage Grove.

EDA Member Scott asked is there a recommended number of rooms that you would recommend based on this study, based on the leakage if we were going to build a hotel?

Tom replied as Henry said, we haven't done or weren't really engaged to do the work that one would do to recommend a hotel room count because that would be a different analysis where we would look at the performance of a competitive set of hotels, project their market performance, and understand how a new hotel might kind of affect that market. There are a lot of other factors besides leakage that would factor into that. Without having done that analysis, I would venture a guess that the most appropriate product for Cottage Grove would be a quality select service hotel that's branded and would have an advantageous rate. The location and specific site of the hotel is very important to how it will perform, what kind of neighboring amenities it will have, what kind of transportation access, what kind of visibility; all those questions would come into play to predict how an individual hotel might perform. Full service, select service hotels typically range from 90 to 120 rooms that you might see in a Courtyard by Marriott, Hilton Garden Inn or Hampton Inn, those kind of properties; that would be the most likely type of development to succeed in this market.

Tarika said if I may, our 2022 study by our Minneapolis office also recommended a 90-room limited service hotel for Cottage Grove. So, that study has been conducted in 2022.

EDA President Bailey said I was just going to share that I believe we did do our own study, is that what she's referring to? One of the things that EDA Vice President Olsen and I just came back in May from the ICSC Convention in Las Vegas and met with a bunch of hoteliers out there or developers. What we were hearing from them was exactly the numbers that you were just sharing; some were between 90 and 120 rooms for a business class hotel, but then also about 40 to maybe 60 rooms of extended stay. So they were talking about kind of almost like a dual brand, if that would be the case, it doesn't have to be; they were commenting that some of

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these brands might want a portion of the hotel to be like the business class type hotel and then with one lobby in the middle, and then to the other side would be their version of an extended stay for that particular brand. So, I thought that was kind of interesting because they did see, based on the study that Tariqa was mentioning, I know there was a comment about extended stay and that same message due to things that are happening in our market area that that was something also important for our community. I just thought I'd throw that out there, we heard that very loud and clear when we were at the ICSC Convention in Las Vegas.

EDA Member Jean-Baptiste said in your previous slide you kind of had a map of the different types of hotels that are in the area. Is there any concern, given the level of consolidation in the hotel industry, that we might have trouble pulling in one of those bigger brands given that they're relatively concentrated in the area and might be worried about some sort of cannibalization on their individual hotels?

Tom replied yes, that would be a concern, and it depends on the developer of these hotels, as they often seek a brand restriction within a radius around them. My guess is that the radius around these hotels probably don't extend into all of Cottage Grove, I would be surprised; the radius restrictions are probably roughly within those circles that you see on the map. There are also a wide variety of brands that are available, brands have proliferated, so even if there were restrictions, there's probably comparable brands that may be available. EDA Member Jean-Baptiste said thank you.

EDA President Bailey said the one thing I had a question on, on that slide that you showed where a lot of the perceived traffic is coming into Cottage Grove; the only thing I personally can take out of that with grandkids in sporting events, when you look at like Mankato and you look at Rochester and Duluth and some of these places, knowing in Cottage Grove that we have a lot of these tournaments that doesn't surprise me to a certain extent. Is that what you feel or does your data kind of state that that's the case, as it is being driven predominantly, at the moment anyway, by sporting events that are happening in Cottage Grove?

Tom replied yes, I think that is a predominant driver because convenience and proximity and drive time, the kind of product that would be appropriate for Cottage Grove suits sports demand. The problem is it's not consistent, you know, tournaments occur typically on weekends, they're seasonal, and so it's not a constant daily source of demand, but it's a very important source of demand.

In support of Cottage Grove, I had Renewal by Andersen just come to my house to replace some windows in my basement. So I asked the sales guy who came over, I said oh, I'm working in Cottage Grove, it's where your headquarters are, do you have to go there for training? He said, no, we all do it here in the Chicago area. I was so disappointed that there wasn't a direct connection, but he obviously was very aware of that being their corporate headquarters, but apparently Andersen doesn't, at least for their Chicago people, they do their training in Chicago. We know there's a lot of demand related to Andersen that does come to the market, but I was hoping to find that direction connection. So, I think if you capture the corporate demand, it's much more difficult because of the brand loyalty that you'd mentioned earlier and because of the quality of hotel and the lack of price sensitivity that corporate visitors may have. So, it would be tough to build a product in Cottage Grove I think that would draw a lot of that demand back into Cottage Grove; it certainly would capture some of it, but that's tougher I think than capturing the sports demand.

EDA President Bailey asked if the EDA Members had any more comments or questions for HVS and there were none. He stated well, thank you for the information, we do appreciate getting it, I think it kind of solidifies what we thought with some of the challenges. I do know that, as I mentioned earlier, when we were out at the ICSC Convention, all of this different data that we have been gathering for the EDA was very well received by all the different hoteliers that were out there. For our group, we are working on an RFP for a hotel in Cottage Grove, and one of the hoteliers we met out there has already been to town to look at the site, is planning to put in an RFP on the site, and it would be a business-class hotel. So, that's great news, it does go to show the data you provided to us, as well as what we felt were the issues in Cottage Grove, are absolutely there. Hopefully, we'll see something develop on that site within the next year. He thanked HVS for their presentation.

B. Economic Development Update

Staff Recommendation: Receive Beige Book Report - April 2025 & Development Update 6-10-2025.

EDA President Bailey said City Administrator Jennifer Levitt will walk us through this one.

Beige Book Report: Overall, the economy activity is lower since the last report across most sectors. Employment: Many business sectors are reporting hiring freezes and, in some cases, temporary layoffs. Prices: Have increased moderately since February. Construction Activity: Had fallen overall but is beginning to pick up into spring. Manufacturing: Has increased modestly as companies move to "buy now" before prices rise. Yesterday, as we met with a broker, one of the observations he was making was that a lot of our retailers in the Midwest market have kind of I'll say go dormant; they weren't making investments and were kind of

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holding their position. He said right now, he's starting to see a lot of those retailers start to emerge, more with an interest to expand in the market, so that is good news. Residential Real Estate Sales: Also, anecdotally from Cottage Grove, when you look at our single-family housing stock, it is still going very strong; so, that is one good news for us is when you see those platted lots, we see those new housing permits come in, that activity is still very good and helping our local economy.

Community Development Updates: Lumbermen's: Is working on their buildout, as you recall, there are two buildings that NorthPoint has, and Lumbermen's was in the smaller building and now they've moved to the larger building. So, they are starting to complete their tenant improvements: Carpet and floor tile are being laid; Ceiling grid and the plumbing fixtures are being installed in the office area; Building permit secured to relocate the original conference room and convert the space into additional office space. I met with NorthPoint on Friday, and the good news is that the larger building where Lumbermen's is now being located, they do believe they're close to securing another tenant that is kind of a partner with Lumbermen's; so we hope to see that actually come in the door for a building permit shortly. So, they're still leaving some vacant space there, but it's exciting to see that those spaces are filling up and that Lumbermen's obviously is growing. Bluestem Apartments: This was that deeply affordable housing product that is right across from GROVE80 and the library. We had an exciting ribbon cutting there earlier this spring. Right now, they're finishing up the exterior site work and we'll be issuing a full Certificate of Occupancy shortly and then working on their business subsidy. Low Zone Water Treatment Plant: A big thing to note is when you have a glass of water this week, you will be drinking treated water coming from this very facility. The Council toured this facility two weeks ago, just before we became operational, and we are hopefully flowing treated water to residents. In these interesting two blue tanks here on the left of the screen, what's interesting is there is a green sand in there that actually helps the tanks take out the manganese in that; that was actually one of the things that was delaying the plant from coming on was that green sand from Brazil. You never know when you're dealing with projects where all of your products are going to be coming from, and we had some controls that were stuck in France. It's exciting to see even the global market right here in Cottage Grove on a Water Treatment Plant. Interior finishing work and water quality testing continues. Curb and gutter work have begun with the paving of the parking lot to begin shortly. Public Works Remodel: Has a very small renovation that's taking place in their mechanics' shop; we're taking out an interior wall so that we can bring in a larger hoist to enable our fleet team to be able to service some of our larger vehicles, fire trucks and apparatus like that and plow trucks. So, that work is underway. Oltman Middle School: Work has started on footings and foundation for the building addition. Council just awarded the Oltman ball field and playground and so that project will start as well. If you're up in the Oltman area, you'll actually see our activity start with the park and then you'll also see the building improvement taking place. Park High School: If you've driven by on 80th Street, you've seen a chain-link fence all the way around and down to Crestview. A couple of things are happening there: 1) There's a very extensive new drive being constructed between the tennis courts and Crestview, so you're going to see that road alignment come out to 80th Street. 2) As part of our 2026 project on 80th Street, we'll install the turn lanes for that. Right now, if you're out there, you'll start to see some demolition work but you're also starting to see a lot of that civil work with the piping and other things being delivered to the site. HORSCH AgTec Grand Opening: I know you've all received the invitation for the grand opening at 9700 Hemingway on June 18, from 1:00-10:00 p.m., they're bringing in their team for a German-made agricultural product, and so it's exciting that they're here in Cottage Grove. So, if you have an opportunity to stop by and welcome them to the community, you'll have a fairly significant timeslot to do that on Wednesday.

Administrator Levitt said I would be happy to stand for any questions. EDA President Bailey asked the EDA Members if they had any questions for Administrator Levitt, none were asked. EDA President Bailey thanked Administrator Levitt.

C. Resolution Modification - 2024-01

Staff Recommendation: Adopt Resolution 2024-014 correcting a numbering error in our official records, ensuring clarity and accuracy for a previously-approved action related to Purchase Agreements with Glendenning Farms and Kwik Trip.

EDA President Bailey said Tammy will be taking us through this one.

Tammy Anderson said I have the honor of being the City Clerk for Cottage Grove. I'm not used to standing right here, I'm usually over where Becca is, but this is kind of nice, I could get used to this.

Today I want to talk to you a little bit about what Clerk responsibilities are and my responsibilities as Clerk would be to make sure that I have clear, transparent, and legal records that go forward for future generations that reside in Cottage Grove. During an audit three weeks ago, we discovered that two Resolutions that were presented to the EDA in 2024 had the same Resolution number. The first one was presented on January 9, 2024, and it was approving a modification to the development program for Development District #1 and Adopting a Tax Increment Financing Plan for Tax Increment Financing in District #1 through 2024 and that was for Roers. Then, we found another one with the same Resolution number, as I stated before, 2024-01, which was

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approved by the EDA on February 13, 2024, and that Resolution was approving the First Amendment to a Purchase Agreement and that was in regards to Kwik Trip.

So, after consulting with our City Attorney, Kori Land, we came up with a solution and that Recommendation is before you today, and I'll stand for any questions.

Recommendation: Adopt Resolution 2024-014 correcting a numbering error in our official records, ensuring clarity and accuracy for a previously-approved action related to Purchase Agreements with Glendenning Farms and Kwik Trip.

EDA President Bailey said so, it's just kind of a formality situation you just need to make, to make sure that the two aren't equal. Tammy replied correct.

Motion by EDA Member Jean-Baptiste to Adopt Resolution 2024-014 correcting a numbering error in our official records, ensuring clarity and accuracy for a previously-approved action related to Purchase Agreements with Glendenning Farms and Kwik Trip. EDA Member Tschida seconded the motion. Motion passed unanimously (6-to-0 vote).

D. 9430 East Point Douglas Road Purchase Agreement

Staff Recommendation: Authorize the EDA President and the City Administrator to execute the Purchase Agreement with Martha Ross to purchase 3.59 acres for development purposes.

EDA President Bailey said this item will be presented by Jennifer.

Administrator Levitt said well, thank you, we talked a lot this morning about hotels and we're going to continue that theme. As the City Council had looked at the Strategic Plan in January of this year, we knew there was a need for a hotel. We had estimated the leakage through our Chandlerthinks project, we knew that there was a driver and a need for a hotel here in Cottage Grove. One of the unique opportunities that presented itself is that there is a 3.59-acre site adjacent to Walmart that is owned by the Ross family; they have been interested in selling, and so we have been engaged with them to negotiate a Purchase Agreement. You'll recall you previously approved an appraisal to be conducted on the property. The property is zoned Residential today, but is guided as Mixed Use, so it would support a hotel and be compliant. The City hired our consultant to make sure that a hotel would actually fit on the site itself, and so what you have demonstrated here is that a 90-room hotel would fit on the site and that it would be conducive to that. We are undergoing a Phase 1 Environmental on the site right now and that report should be completed at the end of June. With that, we're looking at an additional assessment and soil borings. The leakage study that was just presented will be sent to all of those that are currently holding our RFP, and the RFP for the hotel would be due at the end of August. So, we would be bringing a proposal to you most likely in September to discuss an acceptance of a proposal to start the acquisition process. The intent with your action today is for the EDA to actually buy the Ross property, and then our intent is to do the demo work on the house, the well, the septic, and if there's any environmental work, we would take care of that. So, that way before we close with a hotel investor, those things would be done. We are trying to make it as easy as possible for a hotel to come in on this site. We also believe when you look at the adjacent 73 acres, this might be that catalyst or that spur to help bring additional investment on that 73 acres. In talking with a couple of the hotel companies, they do like the visibility from Highway 61, and so that prominent visibility and easy access is very attractive to them.

One of the other things, too, is we did receive Federal funds of just over \$3 million for the Shoppes at Cottage View related to infrastructure; we would anticipate starting that work in the spring to construct the spur road into this and then realign a road going into Walmart, and then we would provide the sewer and water services as well. So, it's as easy as we can make it for a developer, making it shovel ready the day they would sign on the dotted line for the acquisition.

So, with that, I do have a Purchase Agreement in your packet with Martha Ross for purchase of that 3.59 acres, and I'd be happy to stand for any questions.

EDA Member Jean-Baptiste said I'm assuming we have Site control for the piece of land where the Shoppes at Cottage View would be already, is that correct?

Administrator Levitt replied currently the 73 acres is under option to River Caddis, and so I'm not sure if he is going to continue to extend his option on the property, but it is under option by someone at this time. So, even if our project moves forward, it would be a catalyst for that end user, who holds that option, or if he relinquishes it, it could give an opportunity to another investor to pursue acquisition on that 73 acres.

EDA Member Jean-Baptiste replied got it, and do we know when our current option expires?

Administrator Levitt replied I'm not sure of the exact deadline, as that is a private agreement between the broker and the landowner.

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EDA Member Jean-Baptiste said got it, and then there was a couple other lots surrounding both Shoppes at Cottage View as well as where the hotel is going to be, it looks like there is a small piece of land to the left and then one to the right. Do we have any interest in those or are those up for sale or is there any plan to develop those as well?

Administrator Levitt replied that's a good question. The lot to the left of the 3.59 acres, that's a stormwater pond, so that's an Outlot owned by the City. The other parcel that's not highlighted here could be included at the Shoppes at Cottage View, it's maybe just an error in my graphic. It's actually under a separate entity, a different LLC, and so it actually goes together as the same underlying landowner, it's just two different companies that own it but it's the same landowner. So, it probably should have been shaded on the graphic, so I'm sorry for that.

EDA Member Jean-Baptiste said oh, no worries, that makes perfect sense. And then my last question is for the Shoppes at Cottage View, I think I've seen some renderings that originally had a hotel as a part of that. Is that still the case? Would we duplicate and have two hotels or would we just do something else with that space? I think it would be in the bottom-right corner, now that we are hopefully going to purchase this 3.59-acre lot and have that as the hotel.

Administrator Levitt replied in my perfect world, I would love to see that 90-unit hotel, you know like a Marriott brand type hotel come in, and you might then have an extended-stay hotel maybe purchase the land adjacent. It gives that opportunity for more upscale restaurants that we're lacking in our community to potentially be attracted to this site. So, we think all of that is going to make this acquisition a great catalyst to make all of that happen.

EDA Member Latack said so for the 3.59 acres, I'm curious if we can go back to the map; the property on the other side of the road, that may not be super useful to a hotel, would that be able to almost be resold as a gas station, quick-serve restaurant, or something like that?

Administrator Levitt asked just for clarification, are you referring to this little triangular piece?

EDA Member Latack replied yes, or is it too small to do anything?

Administrator Levitt replied actually, we'll be cleaning that up as Right-of-Way; so on East Point Douglas, we would secure the Right-of-Way for that, and then the DOT would actually take that little sliver there. We have to clean up that Right-of-Way as part of this acquisition in the plat, but a good question on that.

EDA President Bailey said I will just say one thing, real quick. There were some great questions down there about the plat. Because I've been part of knowing about this from the very beginning, at the very beginning, the owners of the Shoppes at Cottage View, the Heringers, they had an agreement with the Rosses years and years and years ago that as things would develop on that site that they would go in and whatever Jerry was selling the property, he would go in and help buy the Rosses. Well, Jerry passed away and Jim Ross passed away, and so we just decided after a conversation I had with Mary was just it would be a good idea for us to go ahead and do it because right now, as you kind of heard, things have been kind of stagnant on that site with the current option that's out there. The other piece of the difference I think on that screen that you were showing is at the time, when Jerry was alive, he actually purchased that other square on the corner. And what's nice about that, to be honest with you, is when Walmart came in and did the deal with the Heringers, Walmart put a bunch of restrictions on what can go in down there. And so, as part of the deal, for example, I don't believe there can be a grocery store in any of that bigger parcel there if there was a need for a grocery store; and so, this area down on the bottom there where the cursor is right now, that area has no restrictions because it was purchased and came on board with the Heringers after the agreement with Walmart. So, just giving you a heads up that there's all these tentacles of things that can be a challenge with some of these sites, but hopefully, we'll see something develop in there other than what we're proposing to do with this one site.

Recommendation: By motion, Authorize the EDA President and the City Administrator to execute the Purchase Agreement with Martha Ross for the purchase of 3.59 acres for development purposes.

EDA Vice President Olsen made a motion to Authorize the EDA President and the City Administrator to execute the Purchase Agreement with Martha Ross for the purchase of 3.59 acres for development purposes. The motion was seconded by EDA Member Scott. Motion passed unanimously (6-to-0 vote).

E. Façade Improvement Program

Staff Recommendation: 1) Award VP Investments, LLC, owners of 80th Street Crossing, an award letter for the submitted project with matching funds of up to \$24,999 for any eligible expenses as part of the City of Cottage Grove Façade Improvement Grant Program and \$2,000 in design assistance. 2) Award Alisan, LLC c/o Kin Properties, owners of the Sherwin Williams building, an award letter for the submitted project with matching funds of up to \$24,999 for any eligible expenses as part of the City of Cottage Grove Façade Improvement Grant Program. 3) Award Boondocks Vintage Boutique an award

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letter for design assistance for the submitted project of up to \$2,000 for any design work procured by a licensed design professional to assist with the creative design for their Façade Improvement Grant Program application.

Mayor Bailey said Jaime Mann, Assistant to the City Attorney, is going to walk us through this one.

Jaime said I'm happy to announce that we have three applications this year for our Façade Improvement Program, but we'll start out with a little bit of history on the program:

- It started in the City of Cottage Grove in 2019 as a way to beautify commercial stock in the City;
- It is a grant-based program that is a 50% match, up to \$25,000, but they also have to provide a \$25,000 investment into the upgrades.
- It is meant to keep our commercial stock beautiful in the City.

Criteria for the awards:

- It has to be a location within the City of Cottage Grove.
- Ability to encourage improvements to surrounding businesses.
- Ability to improve the appearance and attractiveness of an area.
- Consistent with Cottage Grove Comprehensive Plan.
- Compliance with City Codes.
- Priority may be given to local businesses over national/regional tenants.
- Building owners who have not previously been awarded a grant will be considered before those who have already received grant funding.

We do have Façade Improvement Grant Priority Zones within the City of Cottage Grove, you can see them on the map here. Priority is given to applications from areas that contain a larger concentration of commercially-zoned parcels, as well as those areas in the community that have a more visible/higher traffic count: Priority Zone 1 is indicated by green on the map and includes 80th Street and East Point Douglas Road, as well as Jamaica Avenue and East Point Douglas Road. Priority Zone 2 is indicated by blue on the map and includes the Southwest Corner of 70th Street and Keats Avenue, the Northwest Corner of 70th Street and Hinton Avenue, and West Point Douglas Road.

So, with the grant EDA has, we have budgeted for two Façade Improvement grants this year of \$25,000 each, so we have \$50,000 in the 2025 EDA Budget. With that, all the work needs to be performed before we pay out the dollars. So, they pay for everything and they submit the paid invoices to us and then it's reimbursement to them for up to 50% of cost. You'll see estimates on the future screens that I have here; we base the dollars we pay on their final cost, so those are just estimates at this point as we move through the three projects.

1) 80th Street Crossing Application: This is the first one we received and is where Pizza Hut, Basic Needs, and Ace Hardware are located. They are in Priority Zone 1 and their total estimated project costs are just over \$75,000. They plan to include: Tuck pointing and painting; Removing Pizza Hut sign from the roof and putting it on the front of the building; Replacing lighting with under-canopy lighting and can lighting; Installing privacy film on back windows (ineligible expense totaling \$2,036). They are requesting the full grant match of \$25,000. They also requested \$2,000 for design assistance to go out and do the final design, and we also allow \$2,000 for design assistance to businesses that apply for that.

2) Sherwin Williams: This is the second application we received, and on the bottom right of the screen is a rendering of what they're looking to do. The extensive list for their project includes: Power washing exterior; Replacing damaged/rotting fascia and soffits; Replacing missing fencing; Replacing/repairing existing drip edge; Tuckpointing any deteriorated mortar joints, cleanout and recaulking masonry expansion joints; Prime and paint for entire building, soffit, fascia, pylon signposts, wood fence, bollard, and doors and frames; Installing approximately 336 SF of cultured stone over brick at front elevations and around base of pylon sign; Re-lamping the soffit lights with LEDs and re-lamping the parking lot light with LED (ineligible expense). Their estimated project costs are just over \$75,000, and they are requesting the full grant match as well. They did not request design assistance because they've done that inhouse.

3) Boondocks Vintage Boutique: There have been some ongoing Code violations with Boondocks, and they did not have complete estimates. They submitted estimated project costs of just over \$21,000, asking for a 50% grant funding of that. They did not submit quotes as the other two applicants have, but they did request design assistance. They are looking at the biggest cost for the project being leveling their parking lot, which is not included in our grant program. We have ineligible expenses such as parking lot replacement lighting, so a big portion of their grant request was for that ineligible expense.

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Jaime said so, with that, I have a Recommendation and a few Motions before you, but I'll be happy to stand for any questions about any of the three projects.

Recommendation: By Motion:

- 1) **Award VP Investments, LLC, owners of 80th Street Crossing, an award letter for the submitted project with matching funds of up to \$24,999 for any eligible expenses as part of the City of Cottage Grove Façade Improvement Grant Program and \$2,000 in design assistance.**
- 2) **Award Alisan, LLC c/o Kin Properties, owners of the Sherwin Williams building, an award letter for the submitted project with matching funds of up to \$24,999 for any eligible expenses as part of the City of Cottage Grove Façade Improvement Grant Program.**
- 3) **Award Boondocks Vintage Boutique an award letter for design assistance for the submitted project of up to \$2,000 for any design work procured by a licensed design professional to assist with the creative design for their Façade Improvement Grant Program application.**

EDA President Bailey thanked Jaime and confirmed with her that there would need to be three separate motions. He asked if any EDA Members had questions for Jaime.

EDA Vice President Olsen thanked Jaime for the update. I was aware of all of these previous to the presentation, but I'm grateful that we got some further detail here on what everybody's looking for. One of the things you mentioned earlier in your presentation was we try to prioritize those local businesses, which I think is absolutely the right thing to do. One of the questions that I would ask, though, is when you work with a local business, in many cases you're working with a single owner, maybe two owners, much smaller infrastructure than you'd get with working with a corporate entity. Do we help them with their submission? In other words, when they express interest and they say I heard about this program, I really would like to get involved, but I'm not quite sure what to do, do we do any advising or provide any sort of support in terms of application submittal, make sure that its buttoned up the right way so that they can hopefully gain some sort of award? The reason I'm asking the question is I think back to our COVID timeframe, and at that time, we had a number of local businesses at risk of shutting down because of the changes in the market caused by the COVID pandemic, and we did a lot of handholding. I recall our former Economic Development Director, Christine Costello, literally going and sitting down with people and taking out a little piece of paper and saying okay, here's what you fill out here and what you fill out there. I'm just wondering, I know that is very time consuming and staff time is definitely something that we have to watch closely; do we help to get these folks tracking the right way?

Jaime replied thank, EDA Vice President Olsen, it is an option available to businesses. I actually met with the Sherwin Williams group before they did their submittal to talk through the process, answer any questions they might have. So, if they do let us know they are looking for assistance, we are more than happy to help.

EDA Vice President Olsen said thinking about the Boondocks, one of the things that was mentioned to me on a visit here about a month, month and a half ago was that they were pursuing this, they mentioned that they were pursuing this and that they had a meeting set up with our former EDA Director. Do you happen to know if that meeting ever took place?

Jaime replied I am not sure on that one. I can look back to a calendar to see if it's out there.

EDA Vice President Olsen said and maybe that's a wise decision because when you mentioned that they had some things that they were looking to do and that those things weren't eligible, I would hope that if they did have that meeting, that would have been discussed with them; but I just would like to know whether or not that meeting actually took place or not because if it didn't, maybe we need to do a little handholding there that we hadn't done in the past. It's just a thought, that's all I have. Thank you.

EDA President Bailey asked if there were any other questions, and there were none.

EDA Member Scott made a motion to award VP Investments, LLC, owners of 80th Street Crossing, an award letter for the submitted project with matching funds of up to \$24,999 for any eligible expenses as part of the City of Cottage Grove Façade Improvement Grant Program and \$2,000 in design assistance. Motion was seconded by EDA Member Jean-Baptiste. Motion passed unanimously (6-to-0 vote).

EDA Member Tschida made a motion to award Alisan, LLC c/o Kin Properties, owners of the Sherwin Williams building, an award letter for the submitted project with matching funds of up to \$24,999 for any eligible expenses as part of the City of Cottage Grove Façade Improvement Grant Program. Motion was seconded by EDA Vice President Olsen. Motion passed unanimously (6-to-0 vote).

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EDA Member Latack made a motion to award Boondocks Vintage Boutique an award letter for design assistance for the submitted project of up to \$2,000 for any design work procured by a licensed design professional to assist with the creative design for their Façade Improvement Grant Program application. Motion was seconded by EDA Member Scott.

EDA President Bailey asked if there was any further discussion on this. EDA Vice President Olsen said yes, as I mentioned earlier, I'd be curious if that meeting did take place and what additional support we may be able to provide to this local business. I'd like to just remind people that one of the owners of this business had a terrible tragedy in their family here in the not too distant past, and that may have been something that would have prevented them from maybe dotting the I's and crossing the T's to the degree that they needed to. So, if we can just follow up with that, see if there's any additional support we can provide, I would sure like to see that happen.

Motion passed unanimously (6-to-0 vote).

F. National Community Survey Report
Staff Recommendation: Receive Report.

EDA President Bailey said Phil is going to walk us through this one.

Phil Jents, Communications Director, said you've heard a lot of information data, a lot of data on some different topics. I'm very excited to present to you a little bit more data from our very own residents and talking about the results of the Polco National Community Survey, which was recently conducted. Before I get into the slides, it's just important to note that there was a lot of information in the full survey report that I have copies of if anyone would like that in physical form or emailed. The slides that I have before you are shortened from the full presentation, if you will, just in the interest of time, and also focusing on topics that the EDA Board might be interested in. Having said all of that, there's a lot more information available that I'd be happy to discuss or provide you with the full report as a follow up to this morning.

So, all households within Cottage Grove were eligible to participate in this survey. The City used and Polco used GIS boundary files provided by the City, and addresses located outside of Cottage Grove boundaries were removed from the list of potential households for this survey. From that list 3,000 addresses were randomly selected to receive the survey, and of those 3,000 randomly-selected households, they received mailings beginning on March 20, 2025, and the survey remained open for six weeks. The first mailing was a postcard inviting the households to participate in the survey, and the next mailing contained a cover letter with instructions, the five-page survey questionnaire, and a postage paid return envelope. Both the postcard and cover letter included a web link to give residents the opportunity to respond to the survey online. All follow-up mailings asked those who had not yet completed the survey to do so and those who had already done so did not respond twice. The survey and all mailings were also available in English and Spanish. A total of 483 completed surveys were received from these efforts; that provided a response rate of 16% with a +/- 4% margin of error. It's very worth noting that nationally we are hearing that survey responses are down and that our 16% response rate and margin of error rate is higher than that national average and better than that national average; and I'm happy to report that our residents are clearly engaged and responding to surveys even though survey fatigue nationally may be a real thing.

In addition to the randomly-selected probability households, a link to an online open participation survey was published by the City. In the following slides, you're going to see words like "in comparison to benchmark communities," so those are communities all across the country that have filled out the National Community Survey and how we rank against them. So, you'll see words like "higher," "lower," "similar" just for point of reference. The methodology that Polco uses defines higher as 10 percentage points higher than an average, lower is at least 10 percentage points lower, and similar is within that range. So, when you see we ranked higher than the average, similar, or lower, you kind of have an understanding of what that actually means.

In the survey, in addition to many other topics, we had two questions related to Community Livability. The first asks residents to rate the quality of each, and you can see the resulting comparison to the National Benchmark in the shading on the chart. So, where we rank higher is in kind of that darker green, similar in that lighter green, and lower in an even lighter green. The second question asks about the same facets of livability, but is centered upon how important residents think it is for the community to focus on each facet in the coming two years. I personally really appreciate this particular data point because it's really important that a City is a lot of things to a lot of people and provides a lot of services with limited time, limited staff resources, and other resources. It's very important to see if somebody thinks Safety or the Economy or Utilities is of high or medium or low quality, where did they rank it on a scale of importance. I think that this thing needs to be improved and I also think it's really important to focus on that, or I don't think this thing necessarily needs to be improved, but it's not as important to me. So, that is very interesting insight in terms of how we prioritize our time moving forward.

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The next slide is just another representation, visually, of that gap, if you will, of importance to quality. Polco put this together, this Gap Analysis Chart, which is used to help determine which areas are relatively higher in importance and lower quality to residents. This chart is one of many ways to interpret the data and can be used to identify key findings and help determine which areas may need additional focus or resources allocated in the coming years and which others are performing well in comparison. So, you see here some standouts are the Economy, Utilities, Community Design, and again, just another visual representation of that relationship between opinions on quality and importance.

So, in terms of the Economy in Cottage Grove, which the EDA Board may be uniquely interested in learning about, we saw that earlier 86% of the residents emphasized the importance of focusing on the economy, ranking second among the ten facets. The overall economic health of Cottage Grove was rated positively by about six of ten residents as was the overall quality of businesses and service establishments. Cottage Grove as a place to work followed at 49%, ranking lower than the benchmark, highlighting other potential areas of focus, ratings were also lower than the national average benchmark for the variety of business and service establishments at 36% and Cottage Grove as a place to visit at 35%. An important note on a variety of business and service establishments, we also had a couple open-ended questions: What would you like to see changed or added, I believe was the phrasing on one particular question, and we have a lot of written responses to that open-ended question about what people are looking for; it's a little bit of an unwieldy spreadsheet to print out, but I do have those results and you see a lot of common themes that support kind of that talking point of people are looking for a variety of businesses in the community. Also worth mentioning is that custom question that the City developed and added into that survey where residents share open feedback on anything they would like to see improved or added; while those verbatim responses are not coded and analyzed as you see in this slide, as I said, those survey responses are available and support people's opinions on wanting that variety of businesses.

Here we have some information regarding Taxes and Services. There's a lot of information on this particular slide here and a lot of interesting feedback. When asked about their opinion relating to Taxes and Services in Cottage Grove, about a third of residents that responded have a positive opinion about our taxes here in the City of Cottage Grove; 34% of residents said they were satisfied with the current level of taxes in Cottage Grove, and a similar portion, 32%, felt they paid too much in taxes for the level of service they receive, and even yet 11% are willing to pay more taxes to get those services. A small share, 5%, reported having no preference, and 3% had an opinion that was not listed. For additional context, we also see here the ratings for one of the default survey questions, which asked residents to rate the value of services for taxes paid to Cottage Grove. The results showed that 9% of respondents rated this item as excellent, 44% as good, 27% as fair, and 20% as poor. For benchmark comparison purposes, Polco combined the excellent and good ratings to represent an overall "percent positive" in this case giving us a 53% rating, which ultimately ranked similar to other communities nationwide.

And then in terms of City priorities, when I referenced those custom questions that we added into the survey, those custom questions sought some insight into longer-term focus for the City. Among the options provided, residents placed the largest priorities on focusing on Utilities, so that's 97% at high or medium priority, Fire and EMS, Transportation, Police, and then of course Economic Prosperity.

Council Member Olsen said Phil, I'm going to stop you for a second. The Fire and EMS color coding on 68%, what does that represent?

Phil replied EDA Vice President Olsen, that's a good point. This is something that I actually caught yesterday that I didn't correct in this slide because I was working on a different presentation for tomorrow night, but that's just a coloring error; that should be the blue, high priority. EDA Vice President Olsen replied thank you.

Phil said so with that, I'll stand for any discussion or questions. As I said at the beginning, that was a lot, and there's a lot of information, a lot more, in the full report that I'd be happy to give you as a follow up.

EDA President Bailey said all right, sounds good, thank you for presenting it. EDA Vice President Olsen, you have an additional item you want to ask?

EDA Vice President Olsen replied I do, thank you. This is the first time we've used Polco; we've done community surveys like this in a variety of manners for as long as I've been a member of the City Council and even before that, when I was on the Public Safety Health and Welfare Commission, and we've tried a lot of different ways to extract what we felt would hopefully be valuable information from surveys. How do you feel about the methodology and the data capture that we got using this method vs. the number of different ways we've done it in the past? I'm sure you've done a little bit of looking back, even though you weren't here, but a lot of members of the staff certainly have been for quite some time. Do you feel it was better, do you feel it was valuable, etc.?

Phil replied that's a good question, and while I can't very specifically speak to methodologies that were used in the past, I can definitely speak to this experience using Polco. I think that overall, any survey is going to have, you know, I mentioned a percentage

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of margin of error, response rates, and how people respond. There's always going to be a little bit of an element of imperfection, right, in any survey that you conduct. My perception of Polco as a vendor, highly professional, very engaged, very responsive, and so our project manager, our experts who designed the survey, were excellent to work with and very responsive to our feedback, our pushback, our questions, and so on and so forth. I also think I was probably bothering our project manager during the survey, as I was asking him very frequently how we were doing, what our responses looked like, and what our response rate looked like, and he was very gracious in his time in responding to me. And so I think both the survey methodology makes a lot of sense to me, they're using a survey that is used all across the country, I believe it's something like 500 some communities nationally. And, so, not only do you have a solid, again with that caveat of every survey is going to have a level of imperfection to it, I have a lot of confidence in the survey itself and responses we received via the methodology used just on its own; but then also understanding that survey is used almost verbatim, I mean, the communities are allowed to tweak things, like we removed the word sheriff because the County provides the sheriff, not the City. But the overall survey is more or less the same because they want, you know, trust in data when you compare against those 500 communities nationally, and so I have a lot of confidence in this survey itself and also appreciate how their methodology applies to other communities across the country. And then, just to end, my experience in my prior job, I would have dearly loved to have the resources to conduct a survey such as this. Because one thing that we gleaned with this survey, through the open-ended question, which I'm very glad we asked it on communication methods, as obviously as the City's Communications Manager, I'm very interested in people's responses to how we communicate and how they feel about it. It's hard to always understand when we send out a newsletter to thousands and thousands of addresses, that takes a lot of time to gather a lot of staff resources across multiple departments, a lot of costs in terms of postage and mailing, is that worth it? Are people reading it? Do people find value in it? It's hard to know, right? You create it and you like to think that it's important and that people will read it and find value in it, and then lo and behold, they respond to an open-ended question about communication platforms and the newsletter, Cottage Grove Connect, emails, things that stood out as very common themes of how people responded. I was very pleased to hear that hey, this thing that we're spending a lot of time and effort on across so many different departments, that people seem to actually value it. And, so, that's a long way around of saying that in my previous job I would have loved to have had that similar insight into what we were doing and why, and we weren't always able to do that sort of thing just because everyone's got limitations on resources. So, hopefully, that answers your question.

EDA Vice President Olsen replied it does, thank you very much, and again, you know, as I look back at making phone calls, you know, using that sort of methodology, we've done the community conversation surveys, and tried to kind of catch people where they are, and we had chalkboards all over town and did a bunch of different things. You know, I was excited when we talked about Polco because, precisely as you said, they have a benchmark, and they work with so many other communities; I thought it would give us a more valid snapshot of how do we look vs. similar communities across the country, and I think we achieved that objective. But methodology is everything when it comes to surveys, it's the manner in which you ask the question, how do you interpret the data, and of course you spent a lot of time before the survey even went out kind of dissecting what do we want to ask, what do we not want to ask, and how do we want to try to gather this information. So, I was hopeful that from your seat you felt comfortable with it and it sounds like you did, and that means the data can be utilized moving forward as we get into the budget conversations and things to kind of guide our decision making process, which is really the point. So, thank you again for the presentation and thanks for your feedback.

EDA Member Latack said I just have one question, when was the survey performed?

Phil replied March 20th to May 1st, 2025, that's a great question. EDA Member Latack said thank you, I appreciate that.

EDA President Bailey said it's funny, too, because this is just me personally on two things: One is I think we also learned whatever's happening at the time of the survey will possibly dictate some of the items that you're asking for in the survey. So, when you kind of look at the economy kind of thing, I guess you could probably say because there was concern about tariffs and rising prices and all that. So, I just wanted to throw that in there as what I thought was interesting. And then though statistically Cottage Grove has been higher on survey response rates, I'm still not personally happy with the lack of total survey responses, you know what I mean? That's just me again. I know statistically they're saying we're higher than the national average, but I'm just like, gees, we just can't get enough people to give us feedback, you know what I mean? So, those are just the two things. I mean, the information that was provided was very good. I have not had a chance to see the comments yet, I know you're putting that together, though I've been told on a few of them of what some of the items are, but I will be interested to kind of see what people are saying in a general, open-ended question comment with regards to communication, what do you want to see in Cottage Grove, you know, restaurants and things like that.

EDA President Bailey asked if there were any other questions, but none were asked. He said awesome, thank you.

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- G. Housing and Redevelopment Authority Preliminary 2026 Levy Adoption
Staff Recommendation: 1) Approve Resolution 2024-10, authorizing a preliminary levy to be set on taxable property of the City of Cottage Grove, Washington County, Minnesota, for fiscal year 2025, a special benefit tax levy not to exceed \$142,500 per the Proposed 2025 Budget on file with the City. 2) Call for a Public Hearing to consider adoption of the final levy to be held by the EDA at their regular meeting on December 2, 2025, at 6:00 p.m.

EDA President Bailey said Administrator Levitt will be speaking on this item.

Administrator Levitt said well, I have to say, EDA, I wear a lot of hats in the City, but I have never worn the Finance Director hat before, so I am going to put the Finance Director's hat on for this presentation, so that's my intro to say go easy on me. If you want to talk about streets, plowing, development, I'm all there; on the finance, just throw me the softballs this morning is all I ask.

So, to start with, we are looking at the EDA Levy once again for this year, we obviously adopted our first levy last year. The way our EDA is set up and structured does permit for a levy for EDA activities and HRA activities. If you think about that as economic development, redevelopment, housing, and affordable housing, a good example of that redevelopment element related to affordable housing is Trellis; so, we talked about that deeply affordable subsidizing, and we've been talking to Real Estate Equities, once again bringing affordable apartment units into our community, so that's looking at your HRA activities. So, on the EDA, that's when we look at the TIF development for properties that may be blighted or properties that have environmental challenges that we can bring to the table there.

In this year's active EDA Levy for 2025, we had a levy of \$137,500; to remind you, our statutory maximum was \$1.2 million. What we are proposing for the EDA Levy in 2026, which we will take to Council in July, would be for \$182,500. So, that is not in your purview, but that would be the City Council taking action, that's where we're looking at that recommendation.

When we look at the EDA, what you would be taking action on today is the HRA Levy portion. Now remember, that calculation of how we get to that \$1.22 million is based on a percentage of our market value, which is limited by that .0185%, and that's for payable taxes in 2026. We will be holding a Public Hearing on the levy, it's an evening meeting by State Statute, on December 2, 2025, at 6:00 p.m., so mark your calendars as we do need a quorum for that.

What we are proposing today is to just increase the levy from that \$137,500 to \$142,500, so just over a 3.5% increase for the levy, trying to track with that Financial Management Plan that we had put together a couple years ago to continue to grow that base.

Now one of the interesting things is you heard in the Polco study, a few interesting points: One is when you look at what people desire in the community, for economic development it was like 89% and where they believe our quality is, it's at 54%. So, you saw one of the largest gaps in the survey what our residents are desiring are more economic development activity, so just a reminder that the EDA Levy plays a critical role in that. One of the other elements in the survey that we didn't highlight today was related to affordable housing. I think we were below the market nationally of what people want and need in affordable housing. So, our residents have said affordable housing is important to us. So when you look at your HRA Levy, you now have the statistical data to show how important affordable housing is and then as the body of work that you do as the EDA, how important economic development is for our residents, you know they're noting there is a need and a desire for us to achieve more on that.

So, with that, I will stand for any questions, and the Recommendation and Motions are on the screen.

EDA President Bailey said okay, thank you, Jennifer. Are there any questions on the process here or the levy as it relates to HRA? There were no questions.

Recommendation, by Motion:

- 1) Approve Resolution 2024-10, authorizing a preliminary levy to be set on taxable property of the City of Cottage Grove, Washington County, Minnesota, for fiscal year 2025, a special benefit tax levy not to exceed \$142,500 per the Proposed 2025 Budget on file with the City.**
- 2) Call for a Public Hearing to consider adoption of the final levy to be held by the EDA at their regular meeting on December 2, 2025, at 6:00 p.m.**

EDA Vice President Olsen made a motion to Approve Resolution 2024-10, authorizing a preliminary levy to be set on taxable property of the City of Cottage Grove, Washington County, Minnesota, for fiscal year 2025, a special benefit tax levy not to exceed \$142,500 per the Proposed 2025 Budget on file with the City. The motion was seconded by EDA Member Jean-Baptiste. Motion passed 5-to-1 (Nay vote by EDA Member Tschida).

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EDA Member Scott made a motion to call for a Public Hearing to consider adoption of the final levy to be held by the EDA at their regular meeting on December 2, 2025, at 6:00 p.m. The motion was seconded by EDA Vice President Olsen. Motion passed unanimously 6-to-0.

Administrator Levitt said EDA President Bailey and Members of the EDA, I'm my first time wearing the Finance Director's hat and I have a slight glitch. The Resolution that was on the screen does not match the Resolution that was in the packet for the Levy. Could I just ask you to acknowledge the Resolution that is in the packet for the EDA Resolution, it's 2025-001, just for absolute clarity related to the fiscal year 2026?

EDA President Bailey said I was wondering about that, I saw that on there, I almost stopped this, so I was wondering because it says 2025 vs. 2026. Okay, so do you want us to?

Administrator Levitt asked so could you just remake that motion, matching the Resolution in the packet? EDA President Bailey replied yes. Administrator Levitt said my apologies.

EDA Vice President Olsen asked so could you put it back up on the screen, please? EDA President Bailey said and then we'll just update it. Administrator Levitt said so, it is Resolution 2025-001 and fiscal year 2026 and the \$142,500.

Motion by EDA Vice President Olsen to Approve Resolution 2025-001, authorizing a Preliminary levy to be set on taxable property of the City of Cottage Grove, Washington County, Minnesota, for fiscal year 2026, a special benefit tax levy not to exceed \$142,500 per the Proposed 2026 Budget on file with the City. The motion was seconded by EDA Member Jean-Baptiste. Motion passed 5-to-1 (Nay vote by EDA Member Tschida).

6. PUBLIC HEARINGS - None.

7. OTHER BUSINESS

EDA President Bailey said the ICSC Meeting this year in Las Vegas was very well attended. We had literally every half hour meetings set up with all these different end users, hoteliers, business investors, and so on. I did take away some very good information. As I was mentioning earlier, within a week of getting back from the convention, we actually had an investor in town looking at the hotel situation, and that's just the one, we've had more that have reached out to us since then. And then of the interesting things and I'll just say it and then EDA Vice President Olsen can elaborate if he wants: That is we met with a couple of different investors and developers, and one particular investor and developer literally shared with us and I'm not exaggerating when I say this number, he said he had over 100 retailers, restaurants, whatever, that want to be in Cottage Grove, they just need a home. And it kind of blew me away and then he started going down the list, some of them we're aware of, some of them are going to be new to the Twin Cities that are coming in that have been visiting Cottage Grove, and they're like find me a place. So, one of the big challenges once again that we're having is either our ability to bring these businesses into town; it either has to be through redevelopment opportunities within certain corridors in our community, or the Shoppes at Cottage View I know is what I'd mentioned as an option. We did meet that person that has the option out there, and I was not happy with basically what we heard from him; so, at this point, I've been speaking with the current family members that own the actual property there to talk about what's the future hold for that site. Because as you all know, at some point here we are going to be having some development on the other side of the highway, alongside Highway 61 where the old Majestic Ballroom site is, and my comment has been if that opens up at some point down the road, we could see that fill up fairly quickly and then the Shoppes at Cottage View will kind of wither on the vine, so to speak, if they don't get going on their project, especially with what we're hearing from the developer and such out there. So, the great new is people know who we are, we've said that before, but even people and businesses that we had no idea were interested in coming to our community, are literally planning to come to our community, it's just they need land and they need a place to locate. So, the good news is we're hearing that, the great news is our staff's working as diligently as we can to figure out how do we get these people into town. Some of it is the things that we just did today, which is the EDA purchasing some property to kind of spur some opportunities in certain areas of our community, but I don't know if you want to add anything else to what I just shared.

EDA Vice President Olsen said yeah, it was a very productive trip to ICSC this year, and I would argue that probably 10-to-15% more attendees than last year with respect to the brokers and the various businesses, etc. They keep expanding that Las Vegas Convention Center, and no matter how big they make it, it seems to be full, so we definitely got our steps in. In terms of the Shoppes at Cottage View site, I would echo EDA President Bailey's sentiment when we met with the individual who is currently enjoying the option on that site, and we asked the specific question, well, hey, are you marketing the site here at ICSC? The response was, well, no, I don't really have any drawings or anything like that. And, so, as we met with the other brokers and developers with whom we had appointments, they all seemed incredibly excited to potentially take down that site if and when the property owner decides to make a change. And, so, we'll continue to work that angle because as EDA President Bailey mentioned, there are numerous entities, end users, who want to be here in Cottage Grove, some of whom actually are currently doing business in other states, in other parts

Economic Development Authority Meeting Minutes

June 17, 2025

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of the country, but they haven't quite dipped their toe in the water yet in Minnesota and they'd like to. So, there's a lot of work to be done there, we had a very nice debrief meeting with the staff after the ICSC Convention, and I know that Jaime and Jennifer, etc. took tons of notes and I know that there's a whole lot of follow up going on. This is the place where you plant seeds and then you try to watch them grow, and we've got a number of businesses in town that have resulted from our excursions to ICSC over the last several years that we're proud of. I think having control of the Ross site is going to definitely help us when it comes to being able to make something happen there, sooner vs. later. So, all in all, I thought it was a really, really beneficial trip. We were tired, it was a lot of running around, but it was a good kind of tired, you felt like you accomplished something.

EDA President Bailey said oh, yeah, definitely.

EDA Vice President Olsen said anyway, I'm glad we did it, and am excited to hear that there's already been some attention paid to the community by some of the folks we talked to out there, and I would expect we're going to have more good news to share here before the year closes out.

EDA President Bailey replied I agree, I agree.

8. WORKSHOP - None.

9. PRESENTATIONS - None.

10. ADJOURNMENT

EDA President Bailey said the next EDA Meeting will be on July 8.

EDA Vice President Olsen made a motion to adjourn. Motion was seconded by EDA Member Scott. Motion passed unanimously (6-to-0 vote). The meeting was adjourned at 9:01 a.m.

Respectfully submitted,

Jaime Mann
Assistant to the City Administrator

JM/jag



Federal Reserve Bank of Minneapolis

Summary of Economic Activity

Ninth District economic activity was flat since the previous report. Employment rose slightly and wages grew moderately. Prices increased modestly overall, with greater pressure among manufacturers. Tourism activity increased and residential real estate was mixed. Manufacturing, vehicle sales, and commercial real estate were flat. Nonauto consumer spending, construction, and energy activity decreased. Agricultural conditions remained flat at weak levels. Activity among minority- and women-owned business enterprises was mixed.

Labor Markets

Employment rose slightly since the last report. Surveys found that hiring sentiment remained positive and job openings grew. Contacts reported increases in hiring, particularly in tourism and hospitality, but mostly for part-time and hourly workers rather than salaried, full-time workers. Some firms were postponing hiring due to the uncertainty of tariffs, even if they were not directly affected. Staffing firms reported spotty activity across the District. One firm with multiple District offices experienced a healthy recent increase in clients and improvements in job orders; a Montana firm said job orders were down after a strong first quarter; a Wisconsin contact said demand had improved after a slow first quarter; and in North Dakota, professional and skilled job opportunities rose while unskilled and administrative jobs were down. Employers reported good labor availability, including among professional workers. However, most job seekers were already employed and searching for better opportunities.

Wage growth was moderate overall, with some signs of slowing. Recent surveys found that wage pressure was similar to earlier in the year. But staffing firms reported slowing wage growth; two noted that the only clients raising wages were those that currently offered uncompetitive compensation. Another staffing firm reported that year-over-year wage levels for light industrial jobs have declined for two consecutive months. A Minnesota contact said that retailers were finding employees “without having to raise wages to attract them.”

Prices

Price increases were modest overall with a slower rate of increase than the last report, but price pressures were greater among manufacturing contacts. About a quarter of District firms increased the prices they charged to customers in June from a month earlier, according to a monthly survey, and about the same percentage anticipated increasing their prices in the month ahead. Slightly less than half of respondents reported increased input prices over the previous month. Manufacturers continued to report that suppliers added surcharges on orders in response to tariffs, particularly those on steel and aluminum. A construction materials supplier commented that “it seems that prices have gone up out of fear that prices will go up.” In contrast, a custom manufacturer reported that tariffs impacted only a small percentage of their inputs. Retail fuel prices were little changed in most District states since the last report, except for Montana, where prices increased slightly.

Worker Experience

Most employed respondents to a recent survey remained satisfied with schedule flexibility and were less satisfied with career advancement opportunities. The top priorities for unemployed respondents as they looked for work were good pay and schedule flexibility. Most believed that gaining new skills or pursuing higher education would help their career prospects. A contact familiar with immigrant communities in Minnesota noted that undocumented immigrants continued to show up for work, but they were avoiding some shopping, traveling, and other leisure activities out of fear. Other workers were changing jobs as a strategy to minimize the risk of deportation.

Consumer Spending

Consumer spending was slightly lower since the last report. Retailers in Minnesota and South Dakota noted foot traffic was flat-to-down and overall spending was lower. Middle- and high-income consumers were reportedly becoming more price conscious. A Montana salon owner reported that customers were extending time between haircuts and other services. A contact believed that stronger purchasing in advance of tariffs may be dampening recent spending. However, tourism contacts generally reported solid activity. A contact in northwestern Minnesota said that “consumer spending may be tightening a bit, but overall, tourism and local shopping remain active. . . . Stores and restaurants are busy.” A Wisconsin contact pointed out that local businesses were able to take advantage of good crowds “because their labor situations have improved.” However, sources also noted that international travel was down, especially from Canada. Hotel occupancy rates were lower in the Dakotas and Montana, and higher in Minnesota and Wisconsin. Recent car and truck sales were flat, and sales of recreational and powersport vehicles were lower than last year.

Construction and Real Estate

Construction activity was modestly lower on balance, driven mostly by a decline in active residential projects and a slow replenishing of backlogs. Interest rates, material costs, and trade policy remained limiting factors among industry contacts. Permitting activity increased moderately across most District markets, and several contacts reported increased orders. Expectations for the upcoming weeks were mixed as customers held back investments on larger projects. “I do have work scheduled but nothing exciting until August,” shared a Minnesota contact, adding that their current workload consisted of maintenance and small jobs.

Commercial real estate was flat overall. High financing rates and economic uncertainty continued to dampen new development in most subsectors. Office vacancy rates remained high, but leasing activity has reportedly picked up as companies looked for better space to meet evolving needs. Residential real estate was mixed. Closed home sales in May in Minnesota were virtually unchanged compared with a year ago; elsewhere, the share of markets with increased sales were similar to those with decreased sales.

Manufacturing

District manufacturing activity was flat on balance since the previous report. Manufacturing survey respondents reported a net decrease in orders in June from the month prior; the month-ahead outlook was also negative. In contrast, the index of regional manufacturing conditions indicated activity increased in Minnesota and North Dakota in June from the previous month, while activity in South Dakota contracted. A producer of fluid handling systems reported a slowdown in capital spending among their customers. A metal fabricator reported that current business volumes were stable but there “appears to be an ominous volume cliff ahead which is signaling a dramatic downturn.”

Agriculture, Energy, and Natural Resources

District agricultural conditions remained weak overall, but crop progress was solid in much of the District. According to preliminary results from the most recent Ag Credit Survey, a strong majority of respondents reported that farm incomes decreased in the second quarter from a year earlier. The majority of corn and soybeans were in good or excellent condition, and most of the eastern portions of the District were free of significant drought. However, drier conditions prevailed further west, and wheat conditions were weaker. Oil and gas exploration activity and production decreased slightly since the previous report. An ethanol producer described demand as steady.

Minority- and Women-Owned Business Enterprises

Activity among minority- and women-owned business enterprises (MWBE) was mixed, and most contacts expected declines in activity over the upcoming weeks. Nonlabor input costs continued to put pressure on profitability as business owners experienced a reduced ability to pass on costs to consumers. “Our costs will not change, but the cost of building materials [is] going up,” said a contact in the construction industry. Both employment and compensation edged lower among this group of businesses, with further declines expected in the short term.

For more information about District economic conditions visit: <https://www.minneapolisfed.org/region-and-community/regional-economic-surveys>.

TO: Economic Development Authority

FROM: Emily Schmitz, Community Development Director

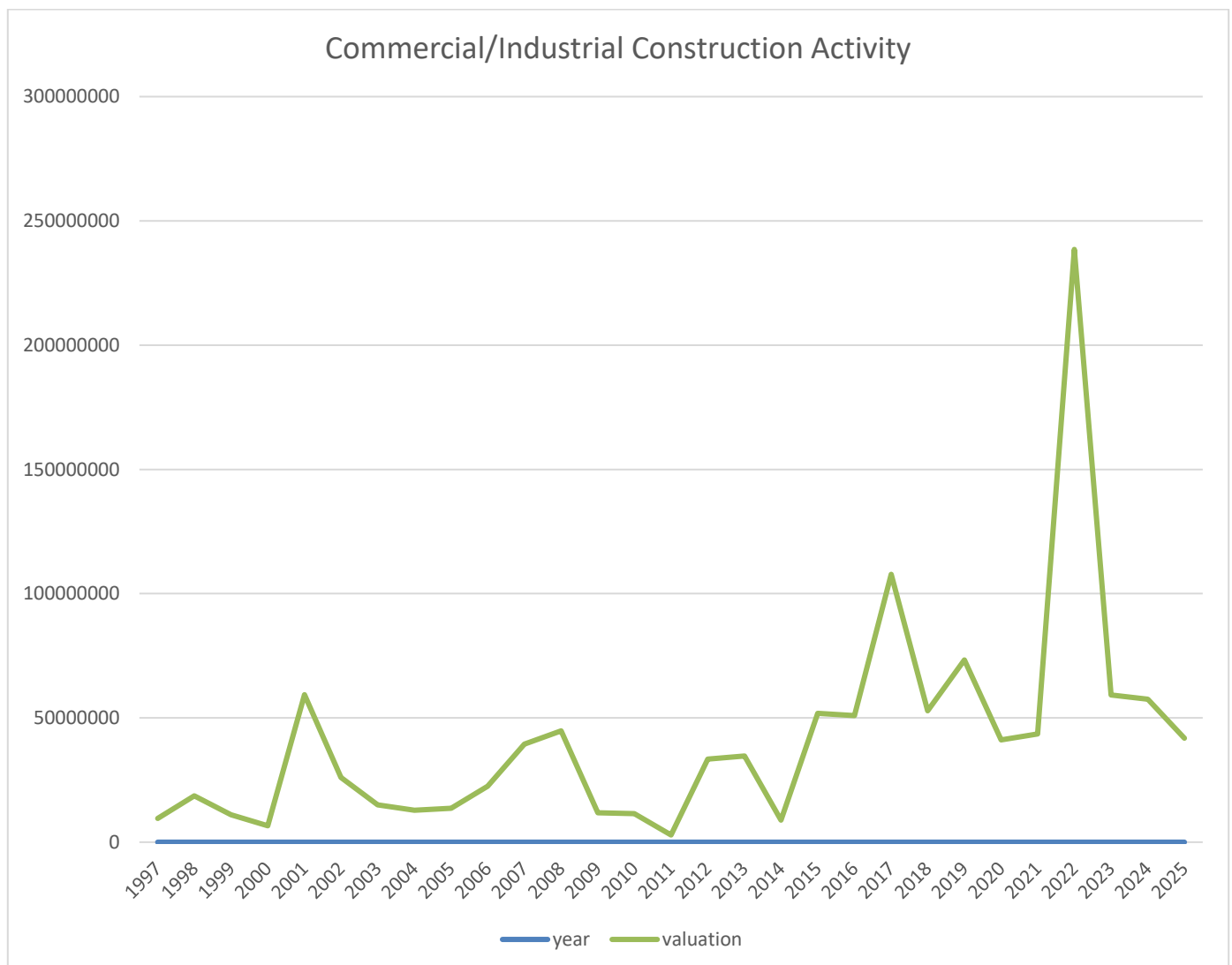
DATE: August 6, 2025

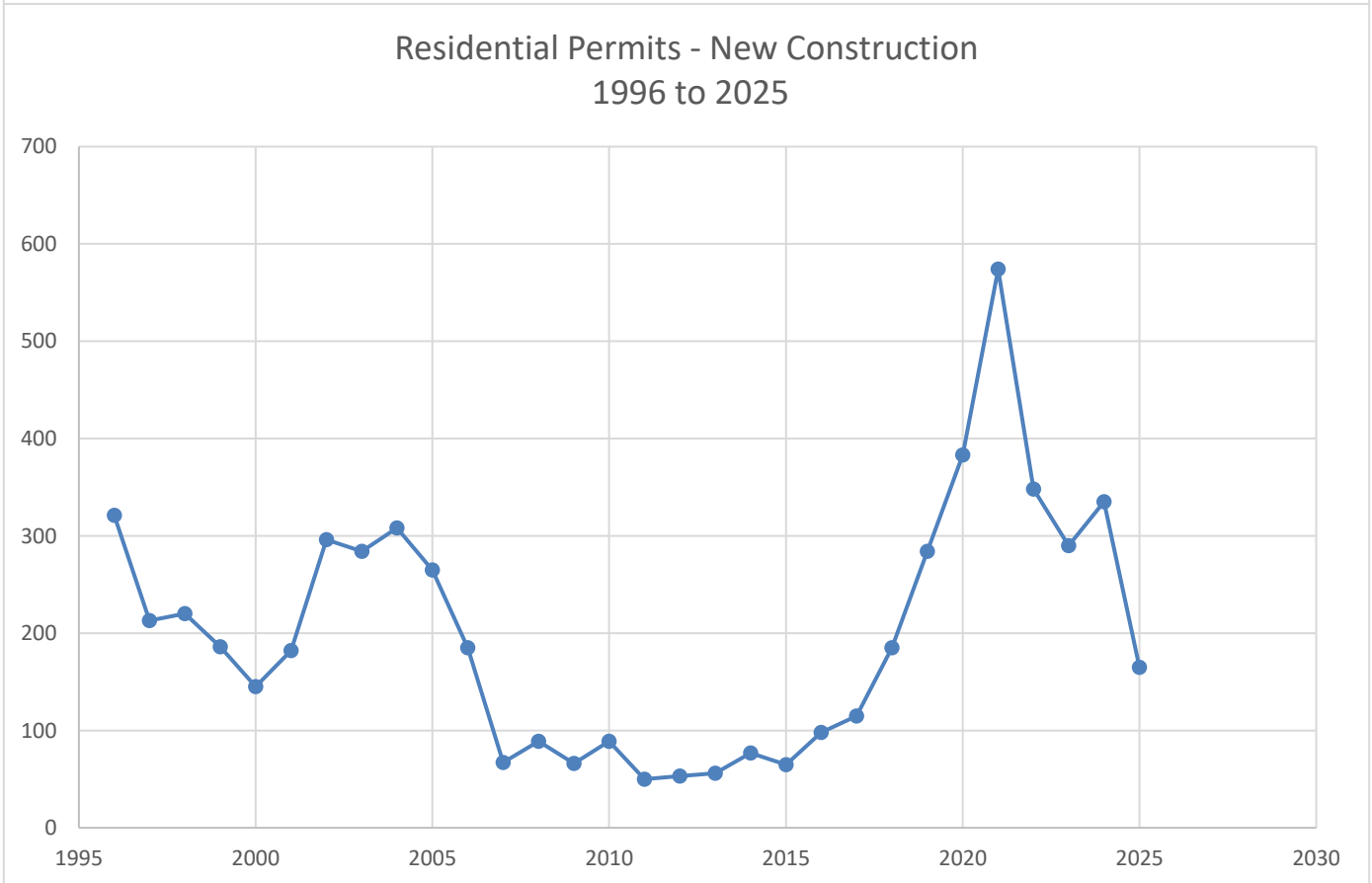
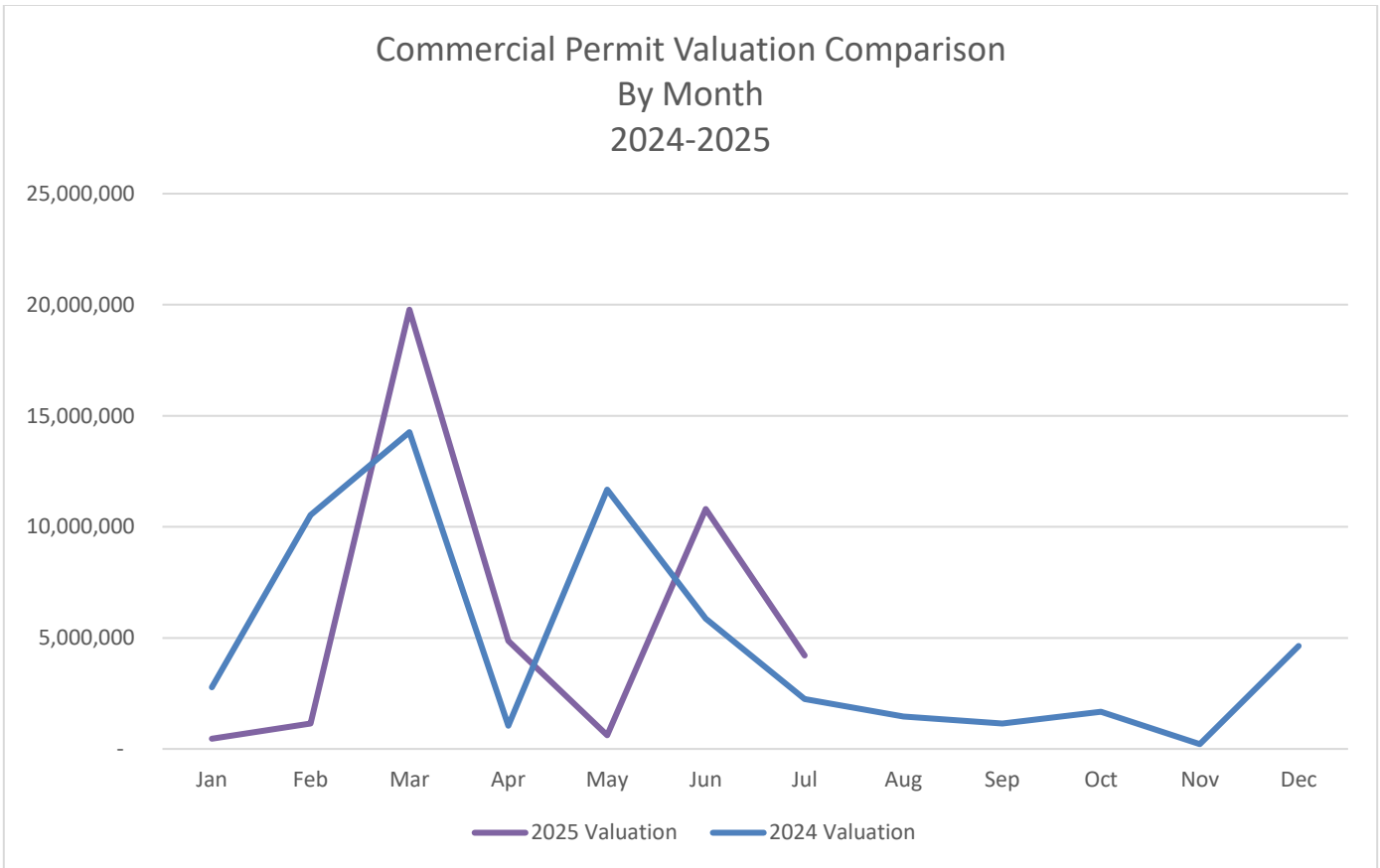
RE: Development Update

Building Permits

Building Permit Statistics:

Between July 1 and July 31, 2025, there were 556 building permits issued with a total valuation of \$15,881,968, including 21 single-family homes valued at \$8,186,427.

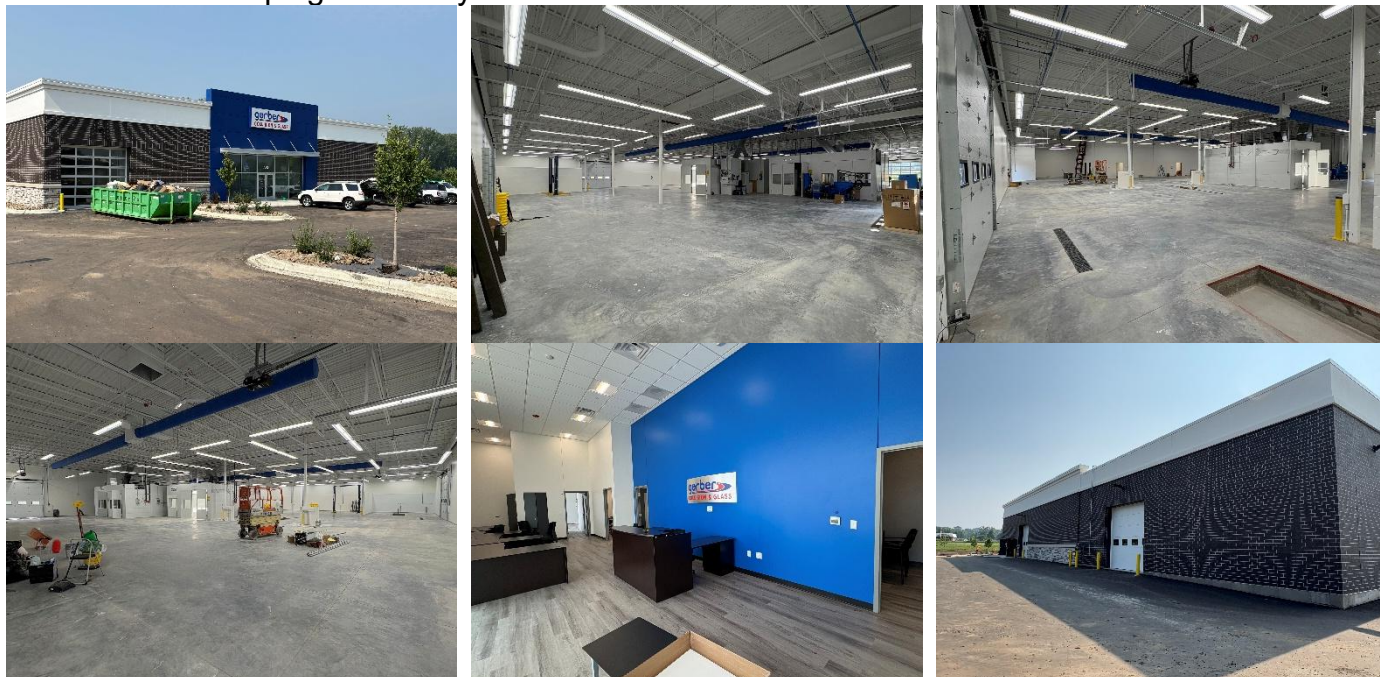




Current Project Updates

Building Construction Projects

Gerber Collision (7300 West Point Douglas Road): Project is nearing completion with the installation of the landscaping underway.



Mi Pueblo Restaurant (7155 Jorgensen Lane, #100): A building permit has been submitted, the plan review is complete, and a plan review letter was sent to the permit applicant.

Buffalo Wild Wings (7145 East Point Douglas Road, #160): Installation of the plumbing underground is complete and the installation of the interior walls has started.

Green Thumb Industries (formerly Leafline), 8235 97th Street): The building permit has been approved and issued for an interior remodel and mechanical work.

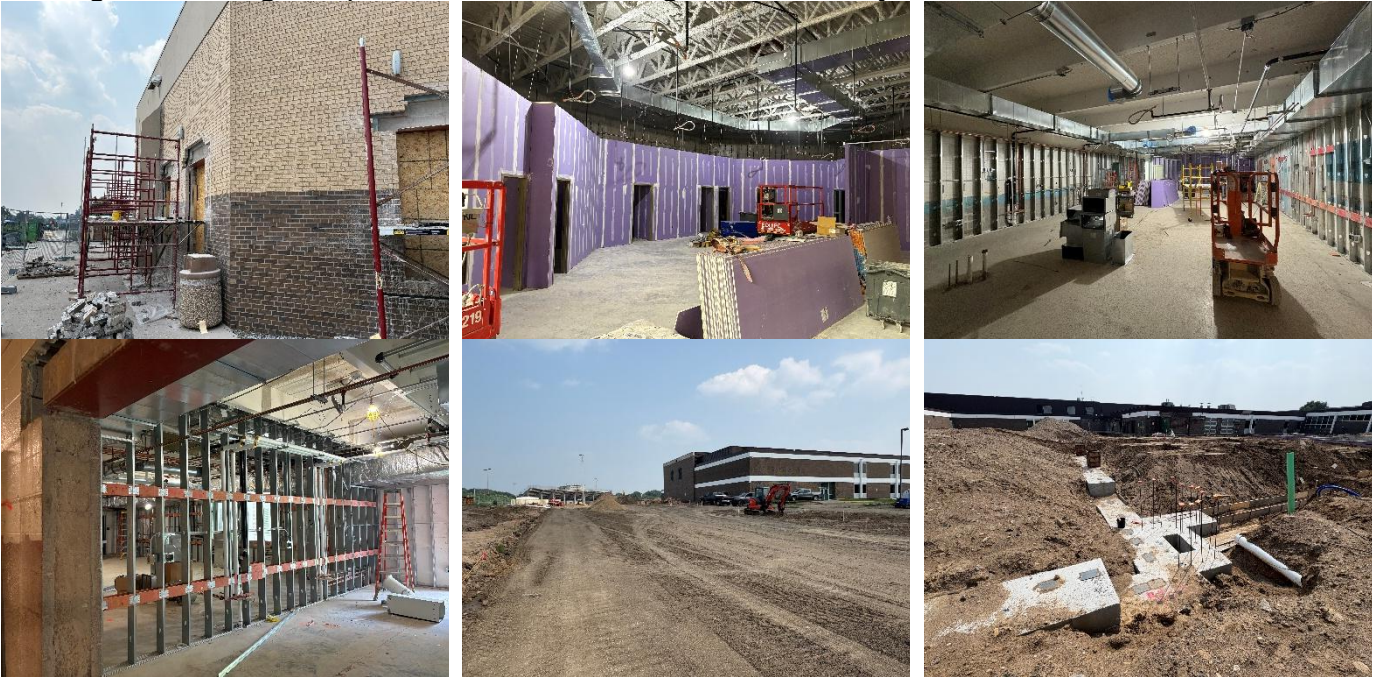
Roers Cottage Grove Apartments (6850 East Point Douglas Road): The applications for building permit, plumbing permit, and mechanical permit have been submitted and approved by the Building Division.

Cottage Grove Middle School (9775 Indian Boulevard): The building plan review is complete, and a plan review letter was sent to the permit applicant.

SoWashCo Schools Transition Program Building (7000 Jamaica Avenue): A building permit has been submitted, the plan review is complete, and a plan review letter was sent to the permit applicant.

Public Works Remodel (8635 West Point Douglas Road): Block work and framing have been approved. The final inspection on the mechanics shop remodel project should be scheduled shortly.

Park High School (8040 80th Street): Site excavation and building foundation work continues. Interior remodeling work modifying the shop and science classrooms is ongoing. Ductwork and wall framing are nearing completion in some existing areas, and drywall installation has started.



Oltman Middle School Addition (6625 Goodview Avenue): Foundation work is nearing completion, and the installation of the interior block walls has started for the cafeteria addition.



Cottage Grove Water Tower: The water tower footing is complete, and the installation of the foundation walls has started.



Low Zone Water Treatment Plant (10901 Ideal Avenue): Start up on the water treatment system is still on going. Final inspections will be anticipated to start in the coming weeks.



Intermediate Zone Water Treatment Plant (8540 81st Street): The building permit is under review. Site excavation has begun for the building foundation and site work.



Planning Division

July 28, 2025, Planning Commission Meeting

The Planning Commission met on July 28, 2025, and reviewed the following applications:

Grove Tobacco – A Conditional Use Permit to allow the sale of low potency hemp edibles at their existing business located at 8599 West Point Douglas Road South, Suite 200. The Commission had questions about setbacks from schools and what low potency entails. There was no public testimony received. The Planning Commission unanimously (5-to-0 vote) recommended approval of the CUP. This item is on the August 6 City Council agenda for final disposition.

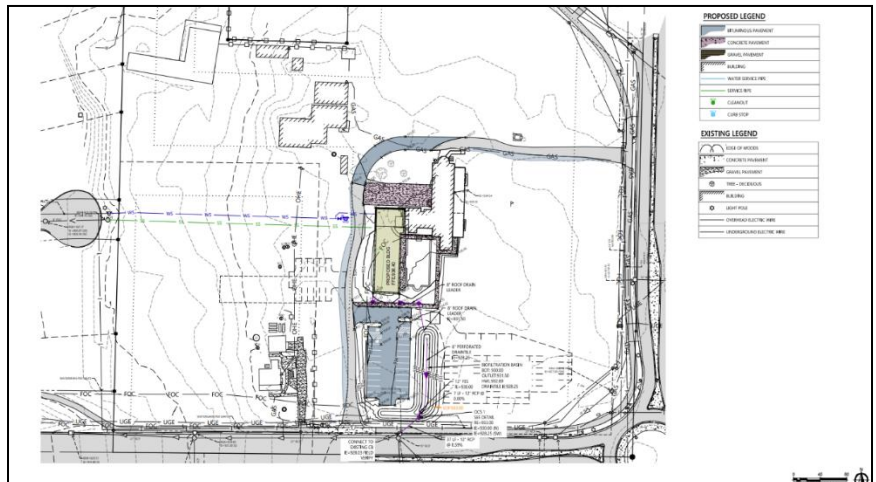
61 Marine & Sport – Site Plan Review for a 50-foot by 80-foot building addition and a Conditional Use Permit for the display, hire, service, rental, leasing, and/or sale of boats and recreational vehicles conducted outside a building with servicing inside a building at 11730 Point Douglas Drive South. An email was received from a neighboring property owner regarding concerns about lighting. No other public testimony was received. On a unanimous 5-to-0 vote, the Planning Commission recommended approval of the site plan review and CUP. The City Council will take final action at their August 20 meeting.



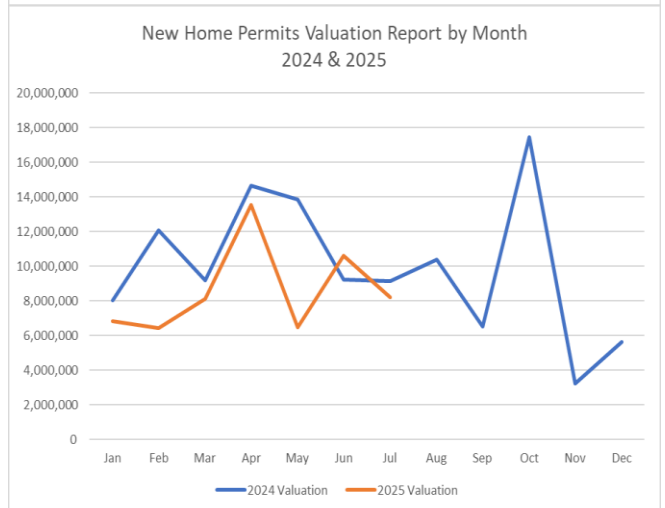
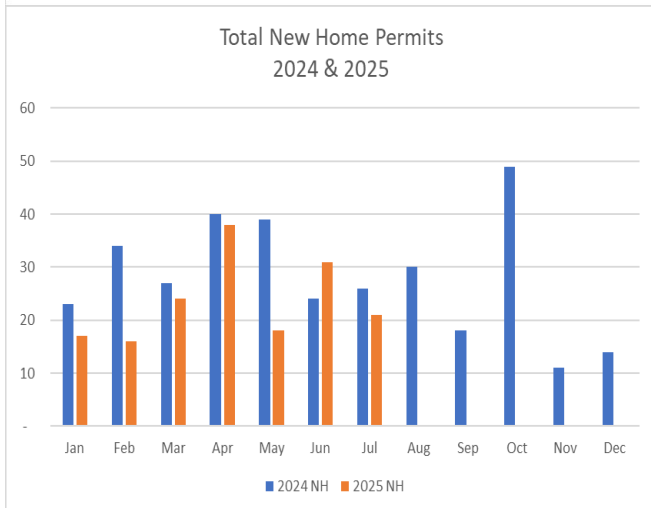
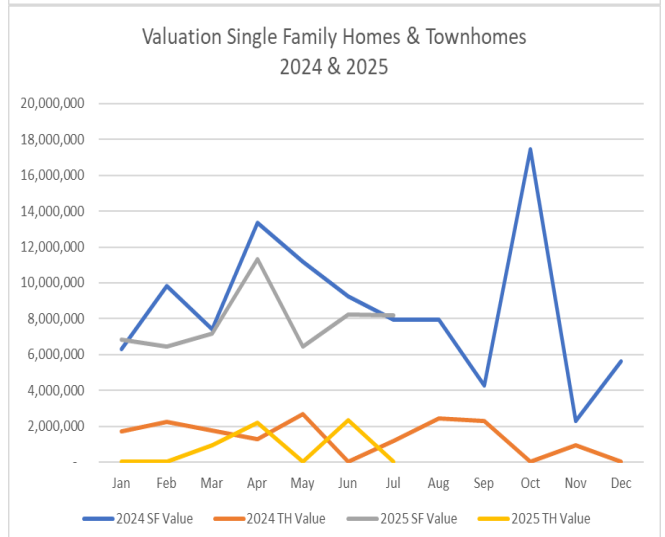
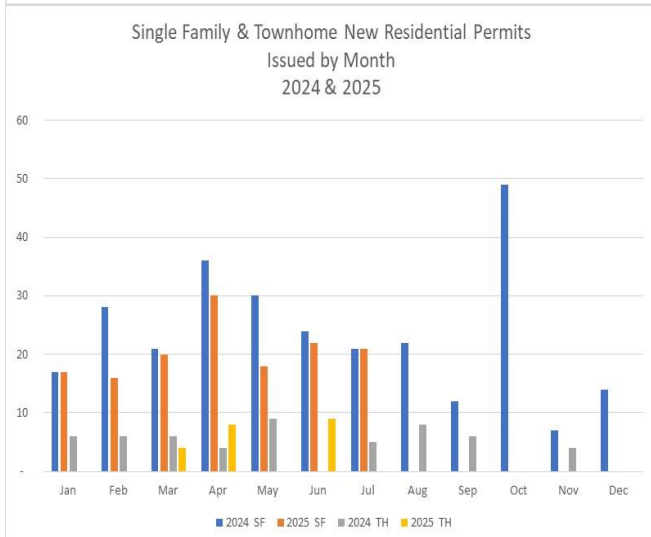
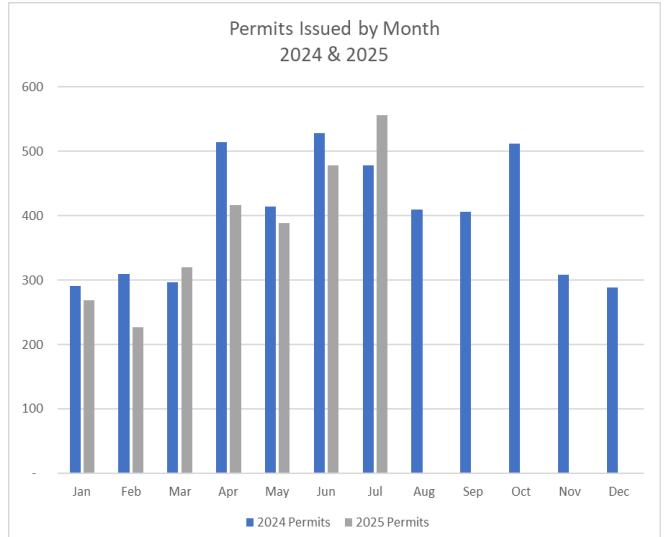
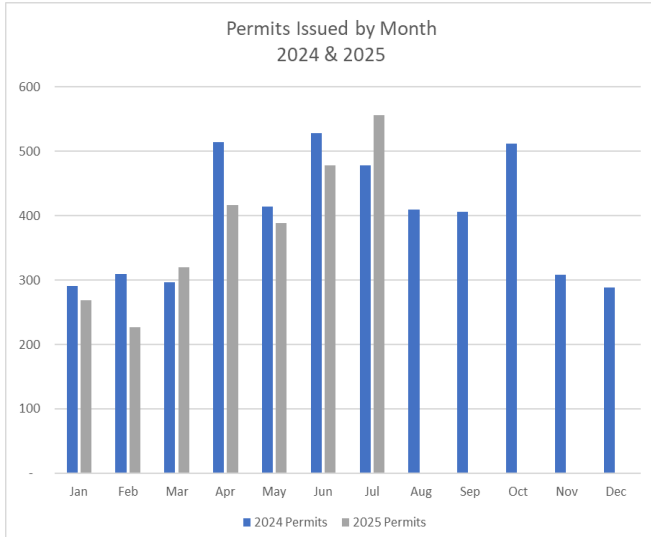
Almar Village – Variance to allow expansion of the existing parking lot at 7155 Jorgensen Lane South to be within two feet of the east property line adding 19 parking stalls and to increase the impervious surface coverage of the parcel beyond the maximum 70 percent impervious surface allowed in the B-1, Limited Business District. No public testimony was received on this application. Commissioners had questions regarding the vacant parcel, how much space there would be between the parking spots and the trail, the type of curbing by the trail to prevent cars from driving onto it, the shared parking agreement, on-street parking on Jorgensen Lane, stormwater issues, and left turns onto 70th Street. The Commission, on a unanimous voter (5-to-0) recommended approval of the variance application. Final action will be taken by the City Council at the August 6 meeting.



Cedarhurst – Bellagalla submitted applications for a zoning amendment to change the zoning of the Cedarhurst property at 6940 Keats Avenue from AG-2, Agricultural District, to M-U, Mixed-Use District; an Historical Conditional Use Permit (HCUP) to operate an event center/wedding venue on a property on the National Register of Historic Planes and the City’s Register of Historic Sites and Landmarks; and a Site Plan Review for improvements to the site and the Mansion and for an addition to the Mansion. They also applied for a zoning amendment to change the zoning of the Gardener’s Cottage at 9912 70th Street from AG-2 to R-3, Single-Family Residential, and an HCUP to use the property in conjunction with the commercial event/wedding venue on the adjacent Cedarhurst property. No public testimony was received at the public hearing. The Commissioners had questions regarding the Gardener’s Cottage and stormwater runoff. There was lengthy discussion regarding access into and out of the property from 70th Street and the possibility of Military Road access. The Planning Commission voted 5-to-0 to recommend approval of the zoning amendments, HCUP, and site plan review. These applications will be on the August 20 City Council agenda for final dispensation.



Building Permit Graphs





TO: Economic Development Authority
FROM: Jennifer Levitt, City Administrator
DATE: August 6, 2025
RE: Bellagala Business Subsidy Agreement

Background

Cedarhurst Mansion (Mansion), historically known as the Cordenio Severance House, is situated on an approximate 10-acre parcel at the intersection of County Road 22 (70th Street) and County Road 19 (Keats Avenue), which also houses several outbuildings. The site and Mansion are listed on the National Register of Historic Places and the City's Register of Historic Sites and Landmarks. The original part of the house being built in the 1860's and later expanded, presumably in the later 1800s/early 1900s, most notably including the addition of a ballroom and bedroom to the north side of the building in 1917 by Architect Cass Gilbert. Notable features of the Mansion include original wood shutters, two Neo-Classic doric hexastyle porticoes with gabled roofs, a semicircular bay on the north ballroom façade, eastern porch serving as the primary ceremonial entry, southern porch belonging to the original farmhouse, historic front lawn and approach, and historic rose garden.

Situated on a separate, adjoining 3-acre parcel is the Gardener's Cottage at 9912 70th Street, currently classified as a single-family residence. It is estimated that the cottage was originally constructed in the late 1800s or early 1900s. Although not currently listed on the City's Register of Historic Sites and Landmarks, the Cottage is recognized as one of the Top Ten Historic Properties the Advisory Committee on Historic Preservation (ACHP) identified as a priority to be considered for registration, considering its connection to the Cedarhurst Estate.

In 2021, Three Sixty Real Estate Solutions, LLC purchased the property and later proposed, in 2022, a mixed-use redevelopment project for the parcels that included commercial space, multi-family housing, and preservation of the Mansion itself. There were concerns at the time with the high density of the proposal and the lack of preservation of the green space throughout the site, which is a large part of the historic significance of the site and Mansion. At the time, the economics of the proposal also posed a challenge. The plan did not receive final approval, and the Mansion has sat vacant since it was last purchased in 2021.

Bellagala Wedding and Events is the prospective buyer/developer of the property. The Bellagala company was founded in Minnesota in 2004 and has several boutique event locations around the Minneapolis area. Bellagala's proposal for the Cedarhurst property

includes utilization of the Mansion as a year-round wedding and event center, including use of outdoor ceremony space and indoor reception space, with a maximum seating capacity of 190.



Discussion

The proposed project involves the rehabilitation and adaptive reuse of the historic Cedarhurst Mansion as a wedding and event venue. This property represents a significant architectural and cultural asset within our community.

Bellagala has requested public assistance to adapt the Cedarhurst Mansion into a wedding and event center. Exhibit A of the attached business subsidy agreement includes a full description of the rehabilitation that Bellagala will be performing on the mansion.



Attachments

Business Subsidy Agreement with Bellagala
Ehlers Financial Assistance Request Analysis

BUSINESS SUBSIDY AGREEMENT

THIS AGREEMENT (“Agreement”) made this ____ day of _____, 2025, by and between the Cottage Grove Economic Development Authority, a Minnesota public body corporate and politic, 12800 Ravine Parkway S., Cottage Grove, Minnesota 55016 (“EDA”) and Bellagala LLC, a Minnesota limited liability company (“Owner”).

RECITALS

WHEREAS, the City of Cottage Grove (“City”) has long desired to improve the function and appearance of its community through economic development, and has invested substantial resources toward that goal; and

WHEREAS, the Cottage Grove City Council established the EDA in order to advance these objectives; and

WHEREAS, the EDA adopted criteria for awarding business subsidies, pursuant to the Business Subsidies Act, Minn. Stat., Sections 116J.993 to 116J.995 (“Business Subsidy Act”); and

WHEREAS, Owner owns the property located at 6940 Keats Avenue South in Cottage Grove with Washington County PID Number 0302721440001 (“the Property”); and

WHEREAS, Owner has proposed redevelopment of the Property for a use that is consistent with the terms and conditions of this Agreement and described on Exhibit A (“Project”) and is seeking a business subsidy (“Business Subsidy”) from the EDA; and

WHEREAS, the EDA believes the proposed Project would be desirable for the City; and

WHEREAS, the Project meets all criteria for awarding a Business Subsidy established by the EDA Policy on Business Subsidies and due to the estimated cost of the Project, it is not financially feasible without public assistance.

NOW THEREFORE, for good and valuable consideration, the receipt of which is acknowledged, and in consideration of the covenants and agreements made herein, Owner and the EDA hereby agree as follows:

AGREEMENT

1. The Business Subsidy comprises of a reimbursable forgivable loan in the amount of One Hundred Thousand Dollars and 00/100s (\$100,000.00) (“Loan”) to be used for the Project. The Business Subsidy shall be paid to Owner in a lump sum only after completion of the Project or portions thereof that total the Loan amount, through proof of paid receipts.
2. The public purposes of the Business Subsidy are as follows:

- a. Promote the economic and commercial redevelopment of the City;
 - b. Preserve the local tax base and improve the general economy and vitality of the City;
 - c. Promote the health, safety and welfare of the residents of the City;
 - d. Remove, prevent or reduce blight, blighting factors or the cause of blight in the City;
 - e. Attract, retain, rehabilitate and preserve commercial facilities;
 - f. Eliminate or improve structurally substandard buildings;
 - g. Promote private investment in a blighted or economically depressed area, which can be expected to stimulate additional investment;
 - h. Afford maximum opportunities, consistent with the needs of the City as a whole, for the redevelopment of the area by private enterprise.
3. The goals for the Business Subsidy are to secure timely development and maintain the Property as a commercial building for at least five (5) years.
 4. Owner has also determined the Project will create at least one new job at an annual salary of at least \$50,000.
 5. Owner will construct the Project pursuant to plans and any other approvals or licenses required by the City.
 6. Upon completion of the Project, Owner, its tenants, permitted successors or assigns, will continuously own or occupy the Property for at least five (5) years, except in the event of unforeseeable casualty.
 7. If Owner complies with the terms and conditions of this Agreement, the Loan will be forgiven five (5) years after the Completion Date. If Owner does not comply with the terms and conditions of this Agreement, Owner shall pay back a portion of the Loan on a prorated basis, with five percent (5%) interest, based on the portion of the five-year operation period elapsed as of the date of default.
 8. The parties agree that this Agreement shall be construed pursuant to Minnesota law and any disputes shall be venued in Washington County, Minnesota.
 9. Notices to the parties shall be sent as follows:

If to EDA:

Cottage Grove EDA
Attn: Executive Director
12800 Ravine Parkway S.
Cottage Grove, MN 55016

If to Owner:

Bellagala LLC
Attn: Chief Operating Officer
15102 Minnetonka Industrial Rd.
Minnetonka, MN 55345

10. This Agreement shall not be assigned without the prior written consent of the other party, which shall not be unreasonably withheld.
11. This Agreement shall only be amended by written agreement approved by both parties.

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed by their authorized representatives as of the date first written above.

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EXHIBIT A

PROJECT

DESCRIPTION OF REHABILITATION
CEDARHURST MANSION

6-3-2025

Architectural Character (Historic Overview)

Existing Conditions:

Cedarhurst Mansion, historically known as the Cordenio Severance House, is a nationally significant Neo-Classical estate located in Cottage Grove, Minnesota. The building was expanded in 1917 by architect Cass Gilbert to serve as a dignified country residence for Severance, a prominent attorney with national political ties. The house's east-facing primary elevation features a two-story Doric hexastyle portico with fanlight pediment and symmetrical fenestration. Narrow wood clapboard siding, original to the 1917 addition, remains intact on the north, east, and south façades, while portions of the earlier 19th-century structure are clad in later aluminum siding.

Notable exterior features include:

- Original wood windows with non-historic fixed shutters
- Semicircular bay on the north ballroom façade
- East and south porches, with the eastern porch serving as the primary ceremonial entry and the south porch belonging to the original farmhouse.
- Low-sloped rooflines with original ridge configurations and decorative eaves

The structure is in good overall condition, though deferred maintenance is evident in select areas, including minor wood deterioration and non-historic porch modifications that have introduced drainage issues.

Proposed Work:

The proposed rehabilitation will convert Cedarhurst Mansion into a year-round luxury wedding and event venue, modeled after successful ABPEC LLC properties. The project will preserve the mansion's architectural integrity while upgrading building systems to support modern hospitality operations. The ballroom will remain the primary gathering space, and all rehabilitation work will follow the Secretary of the Interior's Standards for Rehabilitation.

Key interventions include:

- **Preservation of exterior materials:** No alterations are proposed to the existing siding. Any areas of the roof that have cedar shake shingles will be replaced with asphalt

shingles to match the rest of the building.

- **East Porch upgrades:** The existing masonry floor finish on the east porch will be replaced with historically appropriate brick masonry materials and detailed to improve drainage away from the foundation, correcting water issues without altering the historic portico's structure or appearance.
- **South Porch Upgrades:** Non-historic outdoor carpet floor finish will be removed. Intent to refinish existing hardwood floor beneath. A new storefront window system will be added on the interior side of the historic columns to create a climate controlled entry vestibule without compromising the character of the original farmhouse porch.
- **Attic ventilation and insulation:** Loose fill insulation will be added to the attic to improve energy performance. The existing ridge vent, which is currently blocked, will be reopened to ensure proper ventilation. No other modifications to the roof system are proposed.
- **Mechanical upgrades:** New HVAC systems will be integrated into the existing wall cavities to conceal ductwork. Existing radiators will be reused and connected to a high-efficiency boiler system. Interior wall registers will be added only where necessary, with minimal impact to finishes.
- **Accessibility upgrades:** A walking surface and landing will be added to the south side of the building to provide ADA access to both porches and the historic interior spaces. The current elevator does not meet ADA standards and is nonfunctional. A new Limited Use/Limited Application (LULA) elevator will be installed to provide ADA-compliant access to both floors. The depth of the existing elevator shaft will be slightly altered to meet the requirements for a modern elevator while minimizing disturbance to historic fabric and finishes.

Exterior – Roof

Existing Conditions:

The roof features low-pitched forms consistent with Cass Gilbert's 1917 design, including original ridge lines, deep eaves with decorative detailing, and a mix of roofing materials. Roofing consists of asphalt shingles (primarily), cedar shake shingles (original farmhouse), and intermittent repair patches.

- Several areas above the original farmhouse show deterioration, particularly at the original farmhouse eaves.
- Non-historic gutters remain intact and functional.
- Historic brick chimneys remain but show signs of weathering and masonry damage.
- The attic's ridge vent is currently blocked, limiting ventilation.

Proposed Work:

- Preserve overall roof configuration, including original ridge lines, eaves, and decorative detailing.
- Replace all cedar shake shingles with new asphalt shingles to improve durability and fire resistance.
- Repair deteriorated eaves on the original farmhouse using in-kind wood components.
- Repoint and repair historic brick chimneys as needed, preserving their form and materials.
- Remove a portion of roof above the nonhistoric second-floor porch on west side of the building.
- Restore blocked ridge vent to improve attic ventilation.
- Limit roof repairs to localized in-kind replacement of damaged asphalt shingles.
- No new penetrations or alterations to historic rooflines are proposed.

Exterior - Walls

Existing Conditions:

Cedarhurst Mansion features a mix of historic and non-historic exterior wall materials that reflect its layered construction history. The 1917 Neoclassical expansion by Cass Gilbert is clad in original narrow wood clapboard siding, which remains intact on the north, east, and south façades. This siding is a character-defining element of the estate's historic appearance.

- The clapboard is generally sound but exhibits paint loss, surface weathering, and minor wood deterioration in some areas.
- Decorative trim, including corner boards, eaves, and architectural moldings, remain in place but show signs of wear and deferred maintenance.
- The west elevation, part of the earlier farmhouse, includes non-historic metal siding likely added in the mid-20th century.
- A non-historic enclosed balcony on the west elevation interrupts the original massing and materials.

Proposed Work:

- All historic wood siding will be retained, repaired, and repainted as needed. Where needed, surfaces will be sanded and prepped using non-abrasive methods to protect the underlying material.
- Where needed, minor repairs will be made to architectural trim, eaves, and corner boards, using in-kind materials and profiles.
- The non-historic metal siding on the west façade will be retained and repainted, where appropriate, to maintain weather protection and visual consistency in non-contributing areas.

- The non-historic enclosed balcony on the west elevation will be removed, and the area will become the connection point for a new addition designed to support venue operations.
- No new penetrations or alterations are proposed to the primary historic façade (east elevation) or original cladding.

All exterior work will comply with the Secretary of the Interior's Standards for Rehabilitation, emphasizing material conservation, minimal intervention, and compatibility with historic fabric.

Windows

Existing Conditions:

Cedarhurst Mansion retains a significant number of its original wood windows, primarily double-hung sash units dating to the 1917 Cass Gilbert Neoclassical expansion. These windows are a defining feature of the building's design, particularly on the north, east, and south façades. Many remain protected by original wood storm windows, which have helped preserve glazing, joinery, and profiles.

Window conditions range from fair to deteriorated, with issues such as:

- Peeling or failed paint
- Cracked glazing and missing putty
- Minor wood rot at sills or rails
- Inoperable sashes due to paint buildup or hardware failure

In a limited number of locations, original windows have been replaced with non-historic aluminum-framed units. These are easily distinguishable but located on less prominent façades. While not historically appropriate, they do not compromise the primary character-defining elevations.

Proposed Work:

All remaining historic wood windows will be retained and restored. No full replacements are proposed. Work will be completed by a qualified restoration contractor and will include:

- Paint removal and evaluation of existing sash and frame condition

- In-kind repair or replacement of deteriorated components, matched for profile
- Re-glazing and re-puttying where needed
- Weatherstripping and operability upgrades, including repairs to cords, pulleys, and hardware where needed
- Repainting using historically appropriate colors (white)

Original wood storm windows will be retained where present. Where missing, compatible wood storm windows will be fabricated to match the original profile and detail. No new aluminum or vinyl storm windows are proposed.

Non-historic aluminum windows will be repaired and repainted to match the color and appearance of the historic wood windows. While these windows are not being replaced, the visual consistency will be improved to reduce their contrast with the surrounding historic fabric.

Doors

Existing Conditions:

Cedarhurst Mansion retains several historic exterior doors, including formal paneled wood entry doors and multi-pane French doors, many of which date to the early 20th-century Neoclassical expansion by Cass Gilbert. These doors contribute significantly to the building's architectural rhythm and symmetry, particularly on the south and east façades.

The primary east-facing entrance is framed by a two-story Doric portico and features a prominent paneled wood door with sidelights and a fanlight above. Historic french doors are present on each facade of the building. These glazed wood doors reflect early 20th-century detailing and are consistent with the surrounding window profiles. Historic hardware, including hinges and surface-mounted latch systems, remain in place in many locations. Some doors exhibit weathering, failing paint, and minor deterioration at the sill or lower rails. Several existing door thresholds are too tall or uneven to meet modern ADA accessibility requirements. The current elevator is non-operational and not ADA-compliant.

Proposed Work:

All historic exterior doors will be retained and restored. Restoration will be conducted by qualified craftspeople using in-kind materials and reversible methods.

Scope of work includes:

- Paint removal and repair of deteriorated wood components
- In-kind replacement of rails, stiles, or panels where needed
- Hardware refurbishment or in-kind replacement using compatible historic hardware
- Re-glazing of glass lights in French doors where cracked or missing, using matching restoration glass
- Repainting with historically appropriate colors

French Door Reconfiguration for ADA Access:

To accommodate universal access while preserving the historic design intent:

- Two pairs of historic French doors on the south porch will be repositioned within the same wall plane to make room for the installation of a new ADA-compliant pair of glass-paneled doors.
- The repositioned historic French doors will remain on the same façade to avoid loss of historic fabric.

Threshold Modifications:

To meet ADA standards:

- Low-profile metal thresholds will be added to select exterior doors.
- These thresholds will be custom-fit, minimally visible, and fully reversible to avoid permanent alteration to historic sills or framing.

Site and Landscape

Existing Conditions:

The grounds of Cedarhurst Mansion include expansive lawns, mature trees, a deteriorated rose garden, informal gravel drives, and landscaped areas surrounding the historic east porch. The east lawn historically served as the estate's formal arrival and gathering space, consistent with its role as a prominent country residence.

- Vehicular access and ADA accessibility are currently limited, with no designated accessible paths to primary entrances.
- Circulation relies on informal pathways and compacted turf, which do not meet contemporary accessibility or event use standards.
- The rose garden has lost its original landscape integrity, and its masonry walls show signs of deterioration. The historic trellis above the walls is no longer present.
- Several non-contributing outbuildings—namely a barn, chicken coop, and upholstery shop—remain on site but do not retain historic integrity. Due to years of deferred maintenance, they have all deteriorated to a state where repair is not feasible.

Proposed Work:

To accommodate the building's adaptive reuse as a year-round event venue, the site will be rehabilitated to support accessibility, circulation, and functionality while preserving historic character and key landscape features.

- Construct a new parking lot (75-100 parking stalls) in a discreet area of the property, screened with plantings and topography to minimize visibility from primary historic viewsheds.
- Install a west-side service drive and drop-off loop near the new kitchen addition to support back-of-house logistics and maintain the formal approach from the east.
- Install ADA-compliant walkways to connect the east and south porches to key site areas. Pathways will be sensitively integrated into the landscape to avoid disruption of mature trees or topography.
- Rehabilitate the rose garden to reflect its historic layout and ceremonial use. Work includes:
 - Repairing and repointing the historic masonry walls and balustrade.
 - Remove portion of masonry boundary along east edge to accommodate ADA access.
 - Intent to preserve overall masonry boundary, which remains deteriorated yet intact despite the loss of the upper lattice.

- Improving subsurface drainage and replanting with hardy, low-maintenance species.
 - Designing for long-term use, including event photography and small gatherings.
 - The historic lattice/trellis structure will not be reconstructed at this time but may be considered in the future.
-
- Remove non-contributing structures located on the west portion of property (barn, chicken coop, upholstery shop) to improve site flow and open views to the main house. The Gilbert-era shed and horse barn will be retained.

East Porch Rehabilitation

Existing Conditions:

The east porch is the primary ceremonial entrance to Cedarhurst Mansion and a defining element of the 1917 Neoclassical expansion by Cass Gilbert. It features a two-story Doric portico, originally paired with a brick and concrete masonry floor and a classically detailed balustrade composed of turned masonry balusters and a continuous rail.

- The floor surface was altered in the mid-20th century using non-historic materials in an unsuccessful attempt to address drainage. The current surface directs water toward the building, causing moisture-related deterioration near the foundation.
- The original masonry balustrade remains largely intact, though some joints and surfaces show signs of weathering and deferred maintenance.
- The porch currently lacks accessible access, and the adjacent landscape does not provide an ADA-compliant path to the main entry.

Proposed Work:

The east porch will be rehabilitated to restore historic features, address drainage concerns, and introduce discreet accessibility improvements.

- The non-historic porch surface will be removed and replaced with masonry flooring, sloped to drain water away from the building. The new surface will match the original

pattern as seen in historic photographs.

- The original masonry balustrade will be retained, cleaned, and repaired, including repointing mortar joints and stabilizing balusters as needed.
- To allow for ADA access to the primary entrance, a small section of the balustrade will be removed at the southwest corner of the porch, adjacent to the exterior wall. This location was selected to be minimally visible from the primary (east) lawn and will allow for connection to a new ADA-compliant ramp.
- The removed balustrade section will be carefully documented and stored, and the intervention will be fully reversible.
- No changes will be made to the overall footprint, column configuration, or height of the porch.

All proposed work will be conducted in accordance with the Secretary of the Interior's Standards for Rehabilitation, with an emphasis on preserving significant features, ensuring long-term performance, and introducing accessibility in a historically sensitive manner.

New Addition (Atrium + Kitchen Staging Area)

Existing Conditions:

No addition currently exists in this area. The west side of the original farmhouse (not part of the 1917 Neoclassical expansion) provides a suitable location for a new addition. This area is visually secondary and offers space for back-of-house operations and guest support functions without impacting key historic façades or viewsheds, including the prominent east approach.

Proposed Work:

A new one-story addition will be constructed on the west elevation of the mansion to house two programmatic elements: an atrium lounge and a kitchen staging area. The atrium will serve as a garden-style indoor/outdoor gathering space, designed with a shed roof and exposed wood trusses to create a transparent, light-filled environment that blends modern hospitality with the mansion's formal garden setting. The kitchen wing will support catering and event logistics, discreetly located and fully concealed from guest views.

The addition will be clearly differentiated from the historic structure in both massing and materiality while remaining compatible in scale, proportion, and detail. Materials will be high quality and intentionally contemporary, with thoughtful transitions to the existing building. The addition will connect at the west facade, adjacent to the location of the existing nonhistoric kitchen and enclosed balcony, which will be removed as part of the rehabilitation.

This work complies with the Secretary of the Interior's Standards for Rehabilitation, particularly those addressing new additions, and has been designed to ensure the new construction is reversible and respectful of the mansion's historic character.

7. Interior Plan – Main Floor Renovation

Existing Conditions:

The main floor retains its original ballroom and some room divisions, but alterations over time (e.g., non-historic partitions) have disrupted flow and service efficiency.

Proposed Work:

- Convert storage room, previously used as pantry, into ADA compliant bathrooms.
- Restore historic room connections, including original pass-through in the reception hall.
- Preserve ballroom layout and historic finishes throughout the building where intact.
- Improve entry sequence and circulation for modern event use.

8. Second Floor Plan – Bridal and Groom's Suites

Existing Conditions:

The second floor is a double loaded corridor with residential-style bedrooms and common areas. Some historic finishes are intact - hardwood floors, tile floors in bathrooms, plaster walls, and plaster ceilings. Non-historic finishes are present throughout the second floor. Non-historic finishes include carpet, wall paper, lighting fixtures, and window treatments. The existing interior corridor is not linear, due to the Cass Gilbert expansions, creating portions that fail to meet ADA or code requirements for width.

Proposed Work:

- Portion of interior corridor that is too narrow to allow for access will be altered. New circulation path will be created to accommodate an ADA compliant path throughout the building.
 - Convert the second floor into two hospitality suites for bridal and groom preparation, each with private restrooms and lounge areas.
 - **Bride's Suite:** French and Art Nouveau-inspired design, referencing 1917 dignitary furnishings.
 - **Groom's Suite:** Clubhouse aesthetic with aged leather, rich finishes, and a connected bar lounge.
-

Accessibility Improvements

Existing Conditions:

Cedarhurst Mansion is not currently compliant with ADA accessibility standards. The building lacks accessible entrances and internal vertical circulation, and the existing restrooms and site pathways do not accommodate guests with mobility needs. The historic elevator is non-functional and does not meet code requirements. Entrances are elevated above grade and feature original thresholds that present accessibility barriers.

Proposed Work:

The rehabilitation will introduce accessibility upgrades designed to minimize impact on historic features while providing equitable access for all guests. Interventions will include:

- Installation of a LULA (Limited Use/Limited Application) elevator within the existing elevator shaft to provide vertical access between the main public floors.
- Exterior access improvements, including a new ADA-compliant ramp and landing at the south side of the building. A small section of the original porch balustrade will be carefully removed to accommodate ADA access to the front porch (primary elevation); however, it is located away from the primary approach and will not be visible from the front lawn. The intervention will be reversible and will preserve the porch's architectural integrity.
- Threshold modifications at select exterior doors using low-profile metal transitions, designed to meet ADA standards while maintaining the historic appearance of

entryways. All thresholds will be custom-fit and reversible.

- The existing pantry on the first level, adjacent to the porch on the south elevation, will be converted into ADA accessible bathrooms.
- Accessible site circulation, including new walkways and entry routes, will ensure barrier-free access from parking areas and drop-off zones to key program spaces throughout both floors of the historic building and new atrium.

All accessibility improvements have been designed to comply with ADA Standards for Accessible Design and are consistent with the Secretary of the Interior's Standards for Rehabilitation, ensuring that modifications are sensitive, reversible, and do not compromise the historic character of the property.

Interior – Basement

Existing Conditions:

The basement of Cedarhurst Mansion is primarily unfinished and currently used for mechanical systems and limited storage. The existing boiler is outdated, and while the foundation is generally stable, some localized repairs may be required. There are minimal signs of water intrusion at this time. Access to the basement is provided via a non-historic exterior entrance on the west side of the building.

Proposed Work:

- Replace the existing boiler with a high-efficiency unit as part of the HVAC system upgrade.
- Connect new sanitary sewer and water service lines to support building-wide infrastructure improvements.
- Clean and clear basement spaces of existing debris and non-essential materials.
- Perform localized foundation repairs as needed to address any structural deficiencies.

- Retain basement use primarily for mechanical distribution, utility access, and general storage.
 - Replace the non-historic exterior basement doors with secure and safe new doors, designed to be visually discreet and compatible with the overall architectural character.
-

Interior – Level 1

Existing Conditions:

The main floor of Cedarhurst Mansion retains key historic features, including the central ballroom and several original room divisions. However, a number of non-historic alterations—such as partitions, carpeting, wallpaper, light fixtures, and service modifications—have diminished the clarity and usability of the original layout. The existing elevator is nonfunctional and does not meet current ADA requirements, though it contains historic elements of note.

Proposed Work:

The main floor will be reconfigured and restored to support hospitality use while honoring the mansion’s architectural character. Proposed interventions include:

- **Selective Demolition & Circulation Improvements:**
 - Remove non-historic partitions per Demo Plan D1.1 to restore original room dimensions and improve spatial flow.
 - Reopen the original pass-through between the future bar and dining room (pending final field confirmation).
 - Improve interior circulation and guest experience for formal entry and event transitions.
- **Historic Room Restoration & Feature Preservation:**
 - Preserve ballroom layout and original finishes, including plasterwork, trim, and ceiling details.

- Remove non-historic carpeting and refinish underlying wood flooring where present and salvageable.
 - Strip non-historic wallpaper and repaint walls using historically sympathetic finishes.
 - Remove and replace non-original light fixtures with more appropriate or concealed options that support hospitality use.
 - **Service Area Upgrades:**
 - Remodel the non-historic kitchen for catering functions while minimizing impact to adjacent historic finishes.
 - Convert the existing pantry into ADA-compliant restrooms using a minimally invasive approach.
 - **Elevator Transition:**
 - Carefully remove historic interior components of the existing elevator cab.
 - Reuse and reinstall these elements within the new LULA elevator cab to preserve character and maintain continuity.
 - New elevator shaft will be slightly expanded to accommodate modern elevator while limiting impacts to historic fabric and finishes.
-

Interior – Level 2

Existing Conditions:

The second floor contains a mix of historic and non-historic elements. Original hardwood flooring remains in many rooms, with some areas covered in non-historic carpet or painted. Walls and ceilings are primarily plaster—some painted, others covered in non-historic wallpaper. Bathrooms feature a combination of tile finishes, historic and nonhistoric bathroom

fixtures. The main stair includes what appear to be original wood handrails and balusters. Circulation has been altered over time by non-historic partitions, closets, and a small enclosed porch at the north façade.

Proposed Work:

- Selectively remove portions of interior partitions, closets, and bathrooms to enhance functionality and circulation.
- Remove non-historic carpet and wallpaper throughout.
- Refinish and repaint existing plaster walls and ceilings.
- Refinish original hardwood floors.
- Remove and upgrade all non-historic lighting fixtures and replace them with fixtures compatible with the mansion's historic era.
- Preserve and refinish original stair handrails and balusters as needed.
- Remove the enclosed second-floor porch at the north façade.
- Reconfigure circulation and door openings to meet accessibility standards while preserving historic casing and trim wherever possible.
- Slightly expand the existing elevator shaft to accommodate a new ADA-compliant LULA elevator. Salvaged decorative elements from the historic elevator cab will be reinstalled in the new lift to preserve continuity of character.

Interior – Attic

Existing Conditions:

The attic is unfinished and primarily used for storage. The space is currently under-ventilated due to a blocked ridge vent. There are no known historic finishes or features within this level, and access is limited to staff and maintenance personnel.

Proposed Work:

- Retain the attic as a service and mechanical area; no public access is proposed.
 - Add loose-fill insulation to improve building energy performance.
 - Reopen the existing ridge vent to restore proper ventilation and reduce heat buildup.
 - No framing alterations or new floor construction is proposed.
 - Minor repairs will be performed as needed to maintain structural and thermal performance.
-

MEP Scope**Existing Conditions:**

The building's existing MEP systems are outdated and insufficient for contemporary use as a public event venue.

- The original steam heating system remains in place but is no longer fully functional.
- Electrical systems are outdated, with limited service capacity.
- Plumbing is aging, with fixtures in varying states of condition.
- There is no central cooling system or mechanical ventilation.

Proposed Work:

To support year-round operations and meet modern code requirements, new high-efficiency MEP systems will be installed while minimizing impact to historic fabric:

- **Mechanical (HVAC):**

- Install new high-efficiency boiler system; retain and reuse select historic radiators where feasible.
- Introduce new ducted air handling units and ventilation systems, carefully routed to avoid visible impact in historic spaces.
- Add air conditioning to support guest comfort, with air distribution concealed within existing chases, basement, and attic spaces.

- **Electrical:**

- Replace outdated electrical panels and wiring to meet current capacity and safety codes.
- Upgrade lighting systems; non-historic fixtures will be removed and replaced with historically appropriate or discreet modern alternatives.
- Install new power, data, and AV infrastructure to support event functions.

- **Plumbing:**

- Install new water and sewer service connections.
- Replace aging supply and drain lines as needed.
- The majority of the existing restroom facilities will be restored. New bathrooms will accommodate ADA-compliant fixtures.
- Add plumbing infrastructure to support catering kitchen in the existing kitchen and new addition.

- **Fire Suppression (Sprinklers):**

- A new building-wide sprinkler system will be installed to meet current fire and life safety code requirements.

- The system will be designed to minimize visual impact in historic spaces and will be concealed within ceilings, wall cavities, or secondary spaces wherever possible.

All MEP work will be designed and installed to preserve historic finishes and character-defining features. Systems will be accessible for future maintenance and upgrades without requiring significant demolition or alteration to historic spaces.

MEMORANDUM

TO: Emily Schmitz - Community Development Director
 FROM: Schane Rudlang and Stacie Kvilvang - Ehlers
 DATE: August 6, 2025
 SUBJECT: Cedarhurst Event Center - Financial Assistance Request

The City of Cottage Grove (“City”) received a request for public assistance from Bellagala (“Developer”) looking to upgrade and redevelop the Cedarhurst Mansion into a wedding and event center at 6940 Keats Avenue (“Project”). The Developer requested \$500,000 in public assistance and the City has agreed to provide \$138,000 in the form of a grant from the EDA Trust Fund (\$100,000) and provide sewer access charges (SAC) credits (\$38,000).

The purpose of this memorandum is to review the request for public assistance based on the financial and market characteristics of the Project.

Analysis

Ehlers reviewed the need for assistance by analyzing the Developer’s sources and uses and financing metrics. In addition, non-tangible aspects of the Project have been identified, which the City may consider when reviewing the requested assistance.

Generally, this Project meets the expectations of an event center project with regards to project costs, financing, and projected revenues. The proposed sources and uses of funds for the Project are shown below, followed by summary findings relating to the analysis of the Project.

SOURCES		
	Amount	Pct.
First Mortgage	6,154,922	80.0%
Developer Equity	1,400,731	18.2%
Local Grants - Cottage Grove	138,000	2%
TOTAL SOURCES	7,693,653	100%

USES		
	Amount	Pct.
Acquisition Costs	3,100,000	40.3%
Construction Costs	3,895,653	50.6%
Furniture, Fixtures, & Equipment	400,000	5.2%
Professional Services	298,000	3.9%
TOTAL USES	7,693,653	100%

- Sources of Funding and Investment Returns:** The developer is proposing permanent financing for 80% of the Project costs which leaves 20% to be funded by private equity and any grants provided. The debt and equity structure is typical for this type of project. Ehlers reviewed multiple investment return metrics including: Yield on Cost, Cash on Cash, Internal Rate of Return, and Net Profit Margin. The returns for the Project are in line with market norms after adjusting the assistance from the City down from \$500,000 to \$138,000 and considering the risk profile of the Project.

- **Jobs:** The Project would employ 6 full time employees at an average wage of \$35/hour which exceeds the City’s business subsidy policy of 200% of the State’s minimum wage, and 40 part time employees, for approximately 20 full time equivalents (“FTEs”). If \$138,000 was provided to the Project, it would equate to \$6,900 per FTE.

Other Considerations

- **Area Amenity:** The Project would restore, preserve, and enhance a property in the City with a long history as detailed in the application and City staff report dated June 18, 2025.
- **Experience in the Event Industry:** The Developer operates similar facilities in the Minneapolis-St Paul metro area. It is a good indicator for success that they have highly relevant experience in the industry.

Recommendation

Based on the review summarized in this memo, assistance of \$138,000 is appropriate. This recommendation is based on the City’s desire to partner to have this local amenity become a viable asset of the community again, the likely financial performance, and that some jobs are created that exceed the City’s criteria.