

## MINUTES

### COTTAGE GROVE CITY COUNCIL

COUNCIL CHAMBERS  
12800 RAVINE PARKWAY SOUTH

January 11, 2023

### **SPECIAL MEETING - 6:00 P.M.** **TRAINING ROOM**

#### 1. CALL TO ORDER

Mayor Bailey called the Special Meeting to order at 6:24 p.m.

#### 2. ROLL CALL

Mayor Bailey stated all Council Members were present for the meeting.

#### 3. AGENDA ITEM

- A. Meet with Local Legislators - Rescheduled for 1-18-2023 @ 5:00 p.m.
- B. Local Option Sales Tax

Zac Dockter, Parks and Recreation Director, briefly reviewed information on the Local Option Sales Tax:

- We're proposing a 0.5% sales tax (.50 on every \$100 dollars of taxable purchases) to help spread out the burden of the cost of these projects to our residents.
- Chosen projects must have regional significance.
- If Council passes the resolution on January 18, we submit the projects to the House and Senate on January 31. After that, we begin the Communication Plan to engage the public. Many things need to happen quickly, but the target is to have the referendum on the November 5, 2024 General Election ballot.

Director Dockter reviewed the background, from the 2022 Strategic Planning Session to present; we engaged with the public in a number of ways to determine potential projects and their value to the community.

#### **Projects**

1. Hamlet Park: \$17M. Regional Significance: Our oldest and largest park, has a variety of recreational opportunities. We estimate between 200,000-250,000 people use Hamlet Park per year; that would grow with the additional amenities.

Project Details:

- Add Synthetic Turf Field, with lights
- South Ballfield Complex Completion, add two ball diamonds & parking lot
- Replace Skateboard Park, with concrete skateboard park for durability
- Add Amphitheater
- Art Garden/Walk
- New Park Building
- Large Playground Replacement
- Add Small Splashpad, recirculating
- Fitness Station/Court
- Landscaping/monument, at north trail entrance

2. Mississippi Dunes Park, \$13M. Regional Significance: It's part of the National Park Program, as its on the Mississippi River, and provides local and non-local visitors with access to the Mississippi River. We'll add amenities to draw people to the river.

Project Details:

- Trails: Paved, Grass, and Rock
- Interpretive Signage, nature based
- Small Boat Launch, with parking
- Kayak/Canoe Launch, with storage area
- Shoreline/Habitat Restoration
- Parking Lot
- Outdoor Classroom
- Picnic Areas
- Nature-based Playground
- Four-Season Building
- Grand Lawn Area
- Terrace/Patio, overlooking the river

3. River Oaks Golf Course & Event Center, \$6M. Regional Significance: A premier visitor destination in Cottage Grove, hope to draw more visitors with some high-tech, innovative premier options for golfing and entertainment. Facility operations directly help support sales tax revenue.

Project Details:

- Patio Upgrades
- Building Addition, connect Clubhouse to Pro Shop
- Golf Simulators (2)
- Driving Range Enhancement
- Himalayan Practice Green Addition
- Winter Mountain Biking Trail

Phased Options: Director Dockter stated our total project estimates are not in line with what the financial analysis predicts for revenues. So, we want to phase the options as each year, we'll get a different amount of revenue. We hope the revenue continues to increase, but we need to plan for what happens if it doesn't. He broke out improvements

into three separate tiers: Tier 1 are things people want to see right away, \$18M; Tier 2 are things that will happen once we have more funding, \$10M; Tier 3 are things that will happen in 2025, \$8M.

Financial Analysis:

- Preliminary estimate of annual sales tax is \$1,209,000
- Total estimated revenue of \$14,625,000 on a 20-year payback
- Ehlers recommends 20-year bonds for these projects, but is researching possibility of 25-year bonds
- Inflation is included in project costs
- Identified projects should be valued higher than projected sales tax revenue due to unknown sales growth

Director Dockter paused his presentation so Council could discuss the projects.

Council Member Dennis had two questions about River Oaks: 1) Provide a little more definition and clarity for Council to understand what the Himalayan Golf feature is; 2) The facility's irrigation system is finally scheduled to be repaired, but he wondered when the shingled roof was last replaced, as roofing costs are very substantial.

Director Dockter stated the 20-year-old roof will need entire replacement, which he anticipates will be part of the project cost, as it's probably already scheduled to be done close to the same time. The Himalayan Green has a lot of undulations and little hills and moguls for people to play through that; it provides a different experience, and you don't necessarily have to be a golfer to enjoy it. This is free, open to the public, usable. You're challenging yourself with all of these different playing areas. We'd be the second one in Minnesota.

Council Member Dennis asked if we had equipment to maintain the features (hills) of the Himalayan Green, or will it require additional or different types of grass-cutting equipment. Director Dockter replied he already put those in there; the crew is aware of it, and they know the challenges with it. Council Member Dennis confirmed with the roof replacement, we want to make sure that's tucked into this project somewhere so it's covered.

Mayor Bailey asked if there was a video of what a Himalayan course looks like; Golf Course Manager Dennis Neitz replied he tried to find one but could not. Mayor Bailey stated this is the first time he's ever heard about it. Manager Neitz stated it's about 1.5 times the size of this room, but it's just moguls. Council Member Thiede stated it's a putting play area, for people who don't want to play a whole round of golf; Manager Neitz agreed putt and play would be a good description.

Director Koerner stated they're really expanding on various golf opportunities throughout the country; Mayor Bailey stated he heard that because they're saying the millennials don't want to spend three-or-four hours on a course, they want something short but fun.

Director Dockter stated we've even talked about coming up with a three-hole course, within our existing course, for people who wanted to have a quick play, 45 minutes. We're looking at all of those things, trying to be creative.

Council Member Thiede stated regarding the roof, etc., we should maybe coordinate that with the building addition, unless the roof has to be done sooner. Director Dockter stated it's a good point to fix anything that needs to be fixed. We'll connect the two buildings so that we can really focus on that simulator golf experience; that will make the bar more successful in the off season. We somehow need to tie in that in-and-out connection with the patio and expand the patio.

Mayor Bailey stated he agreed doing something with the patio is important, and it would be a great time to do it. Mayor Bailey asked with this connection to what is currently the golf Pro Shop, the area between, other than the golf simulator, etc., what are they thinking about; is it more tables for the restaurant?

Director Dockter replied it's only conceptual at this point, but expanding the area under that awning a little bit to make that a simulator area. We'd still want to have a separate Pro Shop for golf business; it seems to work better that way. It's one building, but there are separate entrances so you can either connect them or you can keep them separate.

Council Member Dennis asked if we'd make the patio wider; that was confirmed. Director Dockter stated we could even add heaters, etc., to extend the seasons.

Mayor Bailey stated he liked the new chairs, as they're more comfortable than the metal ones. Director Dockter stated there's some really neat patio stuff out there that we could have some fun with, and it would draw people into our community.

Council Member Olsen asked about the Pro Shop, if they're envisioning walls and a connection between the two buildings. Director Dockter stated he didn't know if it would be a wall, a glass wall, or glass doors, something along those lines. Council Member Olsen stated we'll have the Pro Shop and the grill separated; Director Dockter replied yes, as we don't want golfers coming through where people are sitting, eating lunch.

Council Member Olsen stated as we look at these possibilities, he's trying to think about revenue generation. Director Dockter really hit the nail on the head when he said the golf course will actually contribute to the revenue that will go back to potentially paying for the bonds. He likes that idea. Hamlet Park isn't necessarily the same, but it will also generate revenue because the field space and its quality will lend itself to lots of tournaments, with concessions, etc. He can also see where that fits into that same general idea of it generating revenue. His concern has always been and still is Mississippi Dunes Park, just because he doesn't really see it in the same way as the other two. Without development down there, yes, we'll build a park, but over how much time; when are people going to be able to do the fun things that they want out of that park? Is that going to be a year after they potentially pass this, or is it going to be 5 or 10 years? We're going to see much more immediate return from the first two projects.

Thinking about revenue-generating ideas, the idea of a sports dome has consistently been in his mind. It was something that people were really excited about as part of the potential Community Center. If we're going to get this to pass, we have to have invested stakeholders who are going to be our advocates out in the public. The CGAA has often spoken about how much money and time they spend doing training in domes that don't exist in our community. Director Dockter obviously did some research when he did the Community Center video; from a Park and Recreation standpoint, and as a coach,

someone who grew up playing in the CGAA, is a dome something we should be considering? Do you think it would be something that would get people fired up, or do you feel it's a great idea, but maybe now is not the time for something like that?

Director Dockter replied with the Community Center, there was a lot of tug of war with the public; we need it, we need it, and then when he did the business plan, well, we only need 4 hours on this night. He knows other domes are frequently sold out. We have to assume that other people will buy it, which is scary. He saw the synthetic turf field at Hamlet Park as a middle ground; we're extending the season, not necessarily gaining the full winter, but domes are tough. We've gone through all the dome analysis, and their 10-to-15-year life expectancy. We'd be charging \$200+ an hour, where this would be nominal. It's not a perfect solution, but he felt like it's a good middle ground.

Director Dockter felt Mississippi Dunes appeals to a completely different audience than the other two projects. We have to appeal to as many people as possible because they're the ones who are going to vote to allow it or not allow it. The naturalness, people who want to connect to the river, people who want to paddle, people who want to just walk. We have athletics covered with lots of active recreational activities, but we do need that passive side of things. That's where he saw the balance, but the dome is open for conversation.

Council Member Olsen stated he's trying to think about it from a revenue-generation perspective. We know what the current environment is for these sports domes and how difficult it is to find time for teams all over the state, especially in the metro. He wondered if that might be a little bit more appealing option to a larger segment of people. He doesn't know the answer to that question; Director Dockter stated he doesn't either.

Council Member Olsen stated Director Dockter is right when he says Mississippi Dunes is appealing to a different person than one who might use a sports dome, as there are Mississippi River activities like fishing, boating, etc. For him, he wonders if that's going to push people out to vote. Also, how long is it going to take for us to actually deliver on that promise.

Administrator Levitt stated looking at deliverability, what Director Dockter has here in the Dunes Phase 1, the nice thing is that's literally one construction season to build those elements. Those design plans can be keyed up very easily, compared to a building. She'd say in 2025, people will get to experience those elements.

Council Member Olsen stated so there's a pretty quick return on investment, which Administrator Levitt confirmed. He stated that's what he was looking for. Administrator Levitt stated we want that instant pop, and in Phase 2, we'll come back with the building.

Director Dockter stated his vision was the Tier 1 improvements would be completed in the first three years to get people a return on investment (ROI) right away.

Council Member Olsen stated the Local Option Sales Tax is a shared revenue stream with anybody who spends time in our community. It could be moms and dads who are here for a tournament, or grandma and grandpa who come here to watch somebody play on the Park High School golf team. All of those things are appealing, but the Mississippi Dunes project to him seems a little more difficult to pin down in terms of where we're going to get that ROI.

Council Member Khambata stated he thought one of the previous main adverse selling points of the dome proposition was the 10-to-15 years of service; we'd still be paying off the bond long after the building was gone.

Council Member Olsen stated in this situation, that wouldn't be the case because we'd have sales tax revenue that would be coming in. Theoretically, the revenue that you're going to generate, combined with the revenue you're going to generate from the Local Option Sales Tax, should help us keep our head above water.

Council Member Khambata stated he felt that was one of the sticking points with it, at least with the Community Center proposal. Council Member Olsen agreed he was absolutely right, and there was a lot of talk about that.

Council Member Khambata thought the key value of the Mississippi Dunes Park project was just the access. As Director Dockter mentioned, passive users, so the ROI on that is big for the amount of money that we'd put in, just from a usership standpoint. As stated in past projects, drawing people in regionally, they'll spend money here at restaurants and shop at local stores. There's a secondary revenue source there, but again, in terms of fee-for-service, the Mississippi Dunes Park is lacking. He thought the overall impact or benefit to the community is going to be pretty broadly seen because that park is just coming online, going from nothing to something.

Council Member Olsen stated the tangible things are a little tough to pinpoint, but the intangible things are going to be that people are going to love it. It's something we've been wanting forever.

Mayor Bailey stated he still thinks there quite a number of people in Cottage Grove who have no idea that we are even on the Mississippi River. Also, once we announce this and share the vision of the park in a real sense, he thinks we'll see heavy usage there. In his opinion, the whole idea of the Local Option Sales Tax is to pay for amenities that our community wants and is asking for. As far back as he can remember, there's been this goal of getting river access. In the first phase, should the voters approve this, there will be river access and the start of a pretty amazing park right along the Mississippi River, no matter what happens with developments. We'll still have direct access in there from the road.

Regarding the life expectancy of the dome, Mayor Bailey stated when the referendum question did not pass, the fact is that the CGAA was not all in; if they're not all in, he's not going to support a project that they couldn't decide if they wanted to support. He'd prefer to go in our current direction.

Ironically, all three of the projects are on the west side of the highway. Mayor Bailey stated we're often criticized for not supporting that side of the highway. Should the voters approve this, that misconception will hopefully disappear with the significant investments taking place. Obviously, we'll be investing \$17M into Hamlet Park; Council Member Dennis stated we've been working on this for nine years, so he'd like to see it finally get done. Mayor Bailey stated everybody knows where Hamlet Park is, and they'll know where the Mississippi Dunes Park is once they get access to it. With the connections to the SNA, it sounds like the DNR has a deal with Dave Gustafson, which means that whole upper, high-density area on the other side of the railroad tracks, is going to become a part of the SNA. So, that will be pretty amazing.

Director Dockter stated when talking about Mississippi Dunes Park, it's also the connection to everything else; there will be people walking, hiking, and nature connections are now more positive than they've ever been. Dodge Nature Center/Shepard Farm had 1,500 people at their first event, when they learned of this new opportunity. He thinks the same thing will happen at Mississippi Dunes Park.

Administrator Levitt stated we have almost 300 acres of open space; it will probably be one of the larger SNAs in the metro. That's a unique attraction, and we'll complement it with the trails, the recreational amenity, and an amazing interpretive building, so we can draw from across the metro to have that experience.

Council Member Olsen stated we'll theoretically be out ahead of development, unless things change, so are we comfortable with the fact that basically the rest of the site won't be graded; there will be water runoff, etc., as it is a downhill slope there. He asked for thoughts about that.

Administrator Levitt stated she didn't think we had any issues related to that. We'll put the building in during Phase 2, so for sewer and water connection it will probably align with development really well. There are a lot of developers who are interested in the property; what's generating their interest is our commitment to the site. With us talking about a Local Option Sales Tax and seeing our investment, that's big. It helps Dave Gustafson, who is selling it to us. With the fact that we're looking at a Local Option Sales Tax, the developers can tell their buyers in 2025 that they're going to have all of these amenities; it's not just going to sit there as raw land. She thought it would also generate a lot of pent-up interest. If we acquire the land in 2023 and people have access to it but with no amenity, then we start showing them the possibilities, the excitement is going to grow. They'll see that this is going to be an amazing amenity with how we can enhance it.

Council Member Olsen stated we're going to have to be dialed in on educating people as to what this is and what the benefit is; that's a big deal.

Director Dockter stated another thing he doesn't mention often enough is the water trail that we're incorporating here. So, we connect this site, Washington County has land, we have Settlers Island, and Hazen P. Mooers; we anticipate some sort of signage that leads them to the different spots where they can paddle to on this water trail.

Director Dockter stated that's one of the advantages of being on the backwaters; we can get people on the Mississippi River without the current sweeping them away.

Mayor Bailey asked Council if everybody was comfortable with this and the phased approach.

Administrator Levitt stated we had Ehlers run the 2025 tax value that we can generate, which is where the \$18M comes from. We know where our tax is today, but we also know there's a tremendous amount of industrial and retail growth that we're going to see in the next five-to-seven years; we don't want to limit ourselves when we talk about the ultimate number that we want to ask for because we can still bond up to 25 years and take all of that generation on to complete these projects. That will make even more sense as we move on.

Council Member Khambata confirmed when these projects are done, we stop collect the Local Option Sales Tax. Administrator Levitt stated we either hit the \$36M or the 25 years. Council Member Khambata asked what happens if we have more money than projects; Administrator Levitt replied we just pay off our debt early.

Mayor Bailey said the sales tax will go away at that point.

Council Member Khambata stated he's asking what's happening with the surplus; Administrator Levitt stated there won't be a surplus. Mayor Bailey stated once we hit that amount, it's done. Administrator Levitt stated once we hit \$36M, you stop collecting that tax.

Council Member Khambata asked what if these projects come in under \$36M, what if we get these projects done for \$24M or \$30M. Brenda Malinowski, Finance Director, stated she thought it was just for the listed projects, but they'll check on that.

Council Member Olsen stated we can renew the sales tax with a different menu of projects also.

Council Member Khambata stated people he's talked with at the CGAA are really hungry for more ice time, and they brought up having an outdoor rink, which is expensive. Is there a possibility of kind of planning for additional sheets of ice down the road; is that something that we could do with the surplus? He deferred to Director Dockter. Mayor Bailey stated with outdoor, we have Glacial Valley Park coming on board. Council Member Khambata stated that's not going to be refrigerated, so from a seasonal standpoint, it's limited.

Director Dockter stated he wouldn't recommend indoor sheets of ice. Woodbury is talking about building up theirs, but South St. Paul doesn't use theirs enough; there is ice out there for people. We're not at that point; our teams aren't leaving the community to go practice, so we're not there. With outdoor sheets of ice, he thinks people forget that there might be a beautiful sheet of ice, but the temperature might be -5 and windy, so then they don't want to play. If it's 42 degrees, even with refrigeration, it's still not going to be prime ice; once the sun starts getting high in the sky, it starts to melt. We might extend the season maybe four weeks, two weeks at the beginning, two weeks at the end, but it's not a significant ROI.

Council Member Thiede asked if we're anticipating that this money from the Local Option Sales Tax is going to actually cover all of these improvements; Administrator Levitt replied yes, if we generate it. We're under that assumption; the problem is we have to remember we're looking at 25 years. We know what we can generate today, that we'll get \$18M worth of bonds. If we can pay that off early because we're going to generate more revenue, we can then issue another series of bonds within the 25 years, and we'd be able to then capture the full \$36M. It will all depend on how much tax generation we have.

Council Member Thiede stated this is a good way to have the cost for the amenities be shared by the people that come into town, too, and use different things, so it does reduce some of that burden on the residents in taxes.



Mayor Bailey asked if the Council was good with this, and they were. Mayor Bailey asked Director Dockter if there was anything else he needed, other than to bring it forward at the next Council Meeting.

### Next Steps

Director Dockter stated he'd review the next steps, so Council will be aware of what's coming at their next Council Meetings:

- U of M Local Option Sales Tax Study, \$3,000 - Their full report will be available. It includes an overview of the Cottage Grove Economy, Taxable Sales Trend Analysis (1990-2020), Hypothetical Sales Tax Analysis (2018-2020), Future Sales Tax Proceeds Projections, Revenue Category Projections (Permanent Residents vs. Visitors, Travelers & Seasonal Residents), Written Report of Findings, Public Presentation of Findings **Timeline: January-March, 2023, Will look for approval to move forward with that on January 18, 2023.**
- Legislative Support Services, \$20,000 - Development and Execution of Legislative Strategy with Flaherty & Hood, P.A., Drafting of Legislation & Amendments, Securing Bill Authors, Direct Lobbying, Creation of Handouts/Materials for Committee Hearings, Monitor Omnibus Tax Bill Progress, Coordinate Testimony at Legislative Hearings **Timeline: January-December, 2023, Will look to secure legislative support services on January 18, 2023.**
- City Council Resolution Details - City is proposing a 0.5% sales tax for recreational improvements at Hamlet Park, Mississippi Dunes Park, and River Oaks Golf Course & Event Center. City estimates that the tax will generate \$36M before it expires, and the tax will remain in effect for 25 years. City Administrator is authorized and directed to prepare a ballot question according to law and Notice of Election. City Council requests Minnesota State Legislature to pass legislation permitting the Local Option Sales Tax. City acknowledges the City is prohibited from an additional Local Option Sales Tax until one year after expiration of this sales tax. **Timeline: January 18, 2023 City Council Meeting**
- Ballot Question in Referendum - *Shall the City of Cottage Grove, Minnesota be authorized to impose a sales and use tax of one-half of one percent (0.5%) to finance improvements to Hamlet Park, including trails, park equipment, and plant/garden material; improvements to River Oaks Golf Course including pathways, golf simulator, greens, and buildings; and development of a new park at property formerly known as Mississippi Dunes including trails, buildings, lighting, and boat launches?*

Director Dockter stated \$36M is the highest current value of the projects, which Director Malinowski confirmed.

Council Member Thiede asked about Flaherty & Hood, P.A., in terms of somebody having skin in the game for performance, if they don't achieve getting that passed is there a possibility that they wouldn't get paid or would be paid a lower amount? Or if they succeed, they'd be paid a higher amount, to make it a little more lucrative.

Administrator Levitt replied lobbyists do not work under that contract. Council Member Thiede stated it's about having skin in the game. Mayor Bailey stated if they

don't win, word gets out and people don't use them. Administrator Levitt confirmed that, which is why we're using a company that has been successful.

Council Member Thiede asked what's our gut feeling on success at this point? Mayor Bailey asked him if he meant to have it be passed. Council Member Thiede confirmed that if we invest \$20,000, if we'll have some probability to that investment.

Administrator Levitt stated the issue that we have with our legislators is many are new and haven't represented our community. When you look at the makeup of the new legislature, she felt it would be important to have a lobbyist that will guide and shepherd processes for us, to be successful with the makeup of both the House and the Senate.

Mayor Bailey stated if we had our original legislators, Tony, Keith, and Karla, he didn't think we'd need to use the \$20,000. Because we don't have anybody who's been around to support Cottage Grove, he assumes they will support it, but they don't know a lot about this. So, that's why we have to do this; 70% of the legislature is new this year. There will be handholding needed to guide them along on the process.

Administrator Levitt asked Mayor Bailey if he wanted this on the Consent Agenda or the Regular Agenda for the January 18, 2023 Council Meeting.

Mayor Bailey replied the Consent Agenda is fine with him. He asked staff if they got what they needed tonight from the Council; Administrator Levitt replied yes, they did.

Council Member Thiede stated if there were any issues, he thought we could pull it and have a presentation or send it back to workshops. Mayor Bailey told Council Member Thiede we should let this get through the legislature; once it's through there, then we can discuss things further.

Council Member Khambata told Director Dockter this is our one shot at a Local Option Sales Tax for 25 years; he asked him if there was anything else he wanted put in there.

Administrator Levitt stated the problem is how much money we can generate; if we knew we could generate more than \$18M, we could dream bigger, but we have to be realistic about what tax we can generate. Director Dockter added it's also the regional significance, so these are three projects that we can legitimately say have regional significance. Director Dockter stated he appreciated the question, though.

Council Member Khambata asked what's our other option; can we terminate the Local Option Sales Tax early if we get there sooner? Director Malinowski replied, yes, when the projects are done, we have to terminate the sales tax.

#### 4. ADJOURNMENT

Motion by Council Member Dennis to adjourn; second by Council Member Olsen. The meeting was adjourned at 7:11 p.m. Motion carried 5-0.

Minutes were transcribed by Judy Graf, reviewed by Tamara Anderson, City Clerk.