

MINUTES

COTTAGE GROVE CITY COUNCIL

COUNCIL CHAMBERS
12800 RAVINE PARKWAY SOUTH

January 18, 2023

SPECIAL MEETING – Training Room Training Room

1. CALL TO ORDER

Mayor Bailey called the Special Meeting to order at 6:00 p.m.

2. AGENDA ITEM

A. 2023 Legislative Meeting

Mayor Bailey welcomed the group which included Councilmembers Dennis, Thiede, Olsen, Khambata, Representative Mark Wiens, Representative Shane Hudella and department heads. (Representative Rick Hansen and County Commissioner Karla Bigham arrived after introductions).

Mayor Bailey began the presentation with a brief overview of the City of Cottage Grove and included the following facts about the city:

- 25th largest city by population (at about 40,114) and one of the fastest growing cities in the state
- Cottage Grove has more Mississippi shoreline than any other city in Minnesota
- Cottage Grove is home to 35 parks totaling more than 1,500 acres of park land, nearly 100 miles of trails and sidewalks, an ice arena, outdoor skating rinks, an 18-hole golf course, and major events throughout the year
- Cottage Grove residents are very generous: In 2022, residents helped raise \$172,278 for the Canadian Pacific Holiday Train (with proceeds going to the Friends in Need Food Shelf)
- Cottage Grove is home to 3M, Renewal by Andersen, NorthPoint, and more businesses in the thriving business park

Mayor Bailey briefly covered the council's vision statement "a mission to provide excellence in delivering public services to residents, businesses and property owners". Next, Mayor Bailey shared the four strategic goals, managing for sustained growth, reforming organizational culture, making Cottage Grove a recreation destination, and engaging the community.

Parks and Recreation Director Zac Dockter presented ways residents of Cottage Grove could benefit from the Local Option Sales Tax (LOST). Dockter stated Cottage

Grove is committed to building a happy, healthy, and vibrant community and that parks and recreation is a key strategy in that effort. Dockter added that this commitment comes at a price with capital project funding being a challenge. The LOST sales tax can be used by local governments to fund up to five regionally significant capital projects that equates to \$.50 on every \$100 of taxable purchases. Dockter added that staff has identified 3 projects that have the most regional and statewide significance which include:

- Hamlet Park - trail improvements, installation of a turf field, finishing baseball fields, and upgrades to existing amenities
- Mississippi Dunes Park - Mississippi River access, outdoor educational options, trails, and an interpretive center
- River Oaks Golf Course and Event Center - winter Mountain biking course to complement the outdoor winter activities (already in place snowshoeing and cross-country skiing), the addition of a Himalayan putting green, a renovated patio and building, and advanced golf programs

Parks and Recreation Director Zac Dockter presented a general timeline to show the LOST program as it moves through the State Legislature and to a referendum during the general election on November 24, 2024, where voters would be given an opportunity to vote for the program.

City Administrator Jennifer Levitt presented a map that outlined the currently developed portions of the business park. Levitt emphasized the many jobs created because of the business park and the future growth and job potential. Levitt added the 100th Street realignment could be the connecting point to allow further expansion. Burfeind explained the total cost of the County Road 19A & 100th Street Realignment project would be approximately \$33 million dollars and how the City has applied for several federal grants to help fund this project. Burfeind added the city has yet to secure funding from one of the grant applications, but some are still pending. Representative Hudella shared new grants the city could potentially apply for. Burfeind began speaking to the general transportation agenda and the items the city would like help funding which include: The Red Rock Corridor Bus Rapid Transit system, corridor lighting along Highway 61, and maintaining aging streets.

Public Works Director Ryan Burfeind shared the Shoppes of Cottage View project. Burfeind included a map outlining where the development would be placed in the city and explained the project has a cost of \$10 million dollars. Levitt expressed the city's hope to extend the historic tax credit legislation, facilitate job growth and use tools that don't rely solely on the property tax base, allow mixed-use buildings to be included in special service district areas, and continue to use MIF and JCF funding.

Interim Community Development Director, Emily Schmitz explained the city's focus on supporting new and expanding businesses, infrastructure development, public and private partnering, diversifying the city's housing stock, and maintaining local land use control.

Koerner explained, in his portion of the PowerPoint, the many agenda items Public Safety which included:

- Developing a mutual aid agreement for city and township fire departments collaboration
- Using social workers in co-responder programs
- Providing training for emotional resilience and trauma situations
- Catalytic Converter laws
- Additional funding for additional classrooms at the HERO center
- K-12 threat assessment teams

Malinowski detailed the city's finance agenda items which included evaluating the effectiveness of the summary budget information requirements, securing sales tax exemption for purchases of goods and services made by cities, increasing benefits of the homestead market value exclusion program and the similar veterans' program, amending the laws governing issuance of bonds to maintain streets, and adopting a balance revenue system (referencing the LOST presentation from earlier).

City Administrator Jennifer Levitt continued with a quick overview of the 3M Settlement Agreement explaining how PFAS was identified in Cottage Grove in 2006. Levitt continued with the 2018 lawsuit settled by the state and the funding for the infrastructure projects for 15 East Metro communities to mitigate the PFAS contamination. Burfeind proceeded to explain the 3M settlement money and that the contingency money will go towards building two water treatment plants. Burfeind added these plants are more expensive now than they were in 2018 when the funds were allocated. Burfeind emphasized the need to have support from the legislators to continue to ensure the co-trustees (MPCA and DNR) provide the needed funding to support safe drinking water.

City Administrator Jennifer Levitt made known two issues facing administrative duties which included: replacing the posting and notice requirements in local newspapers to instead allow cities to post on their websites and other social media platforms. Also, the need for new requirements regarding licensure of massage therapists at the state level.

Councilmember Dennis talked about the history of Discover Cottage Grove (established in 2019) and its benefit as a resource to local communities and travelers. The representatives were each given a copy of the new visitor's guide. Representative Hansen brought up grant funding available through a house bill related to the convention and visitor's bureau.

SPECIAL MEETING - ST. CROIX ROOM

3. AGENDA ITEM

A. Rental Housing Development Project by MWF

City Administrator Jennifer Levitt said we're excited that MWF has another proposal for us as we work toward achieving our affordable housing goals. The project will be located on what we call the Zywiec 40. They'll outline their site plan, and they'll also touch on the TIF ask, as its common with any affordable project.

Matt Yetzer, Development Manager for MWF Properties, stated they're excited to present a unique product, which could be in high demand in this community. With the employment growth Cottage Grove is seeing, they think it will be an excellent fit.

Manager Yetzer reviewed MWF's background, noted they currently have about 2,900 housing units throughout the Midwest, most in the Twin Cities metro area and in Rochester are affordable or low-income housing. They're long-term owners with their own management company, Velair Property Management. Their motto is to focus on high-quality construction that's built to last. Because of their long-term ownership and their management aspect, they want to ensure they're good neighbors in the communities in which they develop.

He displayed their portfolio of projects, including two of their most recent projects, showed some interior views and exterior materials they use. Their projects in Washington County include: 42 units in Newport (and they were just awarded another phase by the CDA for another project in Newport), 72 units in Forest Lake, and 45 units in Hugo. Project Features: On-site management, community room, fitness center, underground parking, green features. They're pretty similar to many market-rate products. The specific product here is workforce-oriented housing, with a mix of market-rate units and 50% and 80% AMI (Adjusted Median Income) units. It will be a mix of product that is affordable, more toward the lower end of the workforce; also, with the expansion of the Logistics Park here, some units are at the 80% market-rate level. That will still be affordable to a lot of the workforce that's being added to this area. The expanding employment base here was a big factor in what drove them to this location. They also saw this project as an opportunity to diversify the housing stock, not only in the community, but also in this area; specifically, with the single-family and townhome ownership product, true market-rate rental housing is also being considered there. This is an opportunity to offer a different product that hopefully serves that employment base; it will allow them to have an option close to home. There's connectivity to local amenities, including area bike paths and walking paths and the future Mississippi Dunes plans. They're serving the employment base at a competitive price point and connecting to many local amenities.

Manager Yetzer noted as mentioned by Administrator Levitt, they'd anticipate submitting a TIF request with this project; they've been working with Ehlers for theme to offer their recommendations on that. At this point, it's very preliminary as with current market conditions, things can change quickly with both financing and construction cost assumptions. There's a preliminary recommendation based on our current numbers but cautioned that it's still early on and things change. He anticipates those numbers changing a little bit if this were to be a formal request brought forward.

Manager Yetzer stated he's looking for Council feedback on the Site Plan layout to best meet Council's goals for this area, and for the affordable product itself, the unit mix, target market, etc. He appreciated Council's time tonight.

Mayor Bailey asked Administrator Levitt if The Legends was similar, with a portion being affordable and also market-rate housing in the same building. Administrator Levitt replied yes, it's the same type of situation. A certain percentage of market rate units, and also 80% AMI, 50% AMI is what they're looking at; so, they're a little higher on the AMI side of things, which she thought fit well with our Business Park versus going with a lower AMI.

Mayor Bailey stated this would be three stories with 120 total units; Manager Yetzer stated that's correct, three stories with a pitched roof is their preliminary design.

Mayor Bailey asked if they'd looked at what the building materials would be on this site or if they're still thinking about those. Manager Yetzer replied he included some examples in the packet; he believed that this project would have to go through a PUD process to get the approvals it needs. As part of that, they'd anticipate going through some back-and-forth negotiation with the City, Planning Commission, and Council on what that would look like. The examples should give you an idea of what our standard project looks like with this design team.

Mayor Bailey asked if one of the projects shown was in Newport; Manager Yetzer replied yes, it had 42 units, built in 2017. Mayor Bailey asked if that was located by Newport's Park and Ride, which was confirmed. Manager Yetzer stated in December, they were awarded tax credits from the CDA to do a second phase there, with 51 units; they hope to break ground this summer.

Mayor Bailey told Manager Yetzer that, personally, he felt the building looks very plain; that's why he wanted to confirm which building it was. He didn't know if it was a combination of color schemes, but he thought it looked very blah. He liked what he saw in some of their other projects better, those in other communities; they had different types of building materials, or the mix of them, and the color schemes. Personally, he felt the light-on-light tones that he saw in Newport made the building look cheaper; it didn't give the aesthetic of what he'd like to see in that particular area of Cottage Grove. Manager Yetzer stated he appreciated that feedback.

Council Member Thiede stated this will be across the street from the other apartment complex on which we had a presentation; he asked if that project to the east is still happening and was informed that it was. He asked if these two projects would complement each other, as this will be pretty close to the road. So, as 100th Street comes around there, he asked if there's only going to be about 25 feet to a three-story building, which Manager Yetzer confirmed. Council Member Thiede stated it's actually Hadley, and Manager stated yes, that's 25 feet. Council Member Thiede stated the other project is over here, and there's a corner here; he wondered if that was going to cause any issues with sight lines as 25 feet isn't too much. Manager Yetzer stated they can work on that with your Planning staff as we work through this; this was just based off initial feedback on what the general standards are for high density in the community. The fact that we're going through a PUD gives you an opportunity to provide feedback on things like that, and they're able to adjust.

Council Member Thiede stated he personally likes photos, so he'd like to see how the two developments will look together. He stated where 100th Street dissects there

and it comes crisscross, that whole square of land is one of the smaller of the four pieces that the roads kind of crisscross and dissect. It would be good to kind of see how it all fits together.

Council Member Khambata asked of the 120 units, how many were going to be at 50% AMI and how many were going to be at 80% AMI.

Manager Yetzer replied that 20% of the units are at 50% AMI, and 55% are at the 80% AMI. Administrator Levitt stated there are 33 1-bedroom units at 80% AMI, 33 2-bedroom units AMI, and 24 studio units at 50% AMI.

Council Member Khambata asked what's their experience with some of their other projects, getting those lower AMI units filled. Manager Yetzer replied those are usually the first to go. Council Member Khambata asked if there's a waiting list, where if they had built more, they would have been able to fill them, in terms of gauging the market dynamic.

Manager Yetzer stated there's a tradeoff between the units that are in the highest demand and then what the achievable rents are at that level; there's kind of a give and take with how many of these units can be provided while still having a financially viable project. Many times, 50% is kind of the lowest AMI in the projects that they offer; that's what they call the affordable level. They generally see high demand for those, and if they could get it financed, if it's something that the city wanted, they'd probably provide more. It's just a give and take with where our construction costs are and what financing assumptions are; this mix here is what we've come to, based on feedback from our financing partners on what's feasible and what they're able to fund.

Council Member Khambata asked if they were seeking Section 42 dollars for these types of projects; there are some grants that will only kick in if you can meet 30% AMI, and it's hard to make those projects viable without a lot of market rate built into that. He asked if they did anything with 30% AMI units.

Manager Yetzer replied on a lot of their 9% tax credit LIHTC (Low-Income Housing Tax Credit) deals, for scoring purposes and the competitiveness of that funding, they end up having some 30% units in those. This is kind of a unique structure where it'll be non-LIHTC, so we won't have to go through that long, competitive tax credit process, which helps with certainty of funding. It also doesn't require many things that are required when you go through that competitive process in order to have a project that's going to score well. It gives us some more flexibility since we aren't going through that competitive LIHTC process.

Council Member Khambata stated that's not a risk factor of getting this project moving forward, so that'll also speed up the project by not having to go through that process. Manager Yetzer confirmed that.

Council Member Thiede asked when you drive into this area, is this going to come off of Hadley and maintain part of 100th Street to get over there and align with Hamlet coming in. Public Works Director Ryan Burfeind stated we're going to maintain the whole portion of 100th Street, and we need to do that to keep that connectivity to the neighborhood to the north, to have their two points of access. Council Member Thiede stated so that's coming from Hadley, it's not coming from the east because that's where

the curve is going in; Director Burfeind confirmed with the County arterial roadway, we're not able to connect there. So, it will connect into Hadley, just like it does today. Council Member Thiede stated in terms of ins and outs, it shouldn't dump a lot more traffic into that neighborhood because they'll come out along the old piece of 100th. Director Burfeind stated the only reason they would go there is if they were going to the park or something; otherwise, it will go out to Hadley.

Mayor Bailey stated they're going to be working on the placement of the building on the site. There will be a new 31-unit apartment building on Hardwood; he asked what the distance is from that apartment building to Hardwood. He's trying to visualize 25 feet, and he'd like to know the distance of that apartment building from Hardwood Avenue so that he can get an idea of what he's looking at. Director Burfeind stated Grove80 is close to 25 feet. Administrator Levitt stated they can provide those dimensions and will look at some other examples.

Council Member Olsen stated just looking at it on the map, part of the reason it feels funny is there aren't any trees behind there because there's not room. It would seem it would potentially be more pleasing to the eye and a little bit of a buffer for any cars going by to have that tree line continue all around the site. He asked about the intent of the green buffer space; is that a necessity because of water runoff, maybe a holding pond would need to go in there? Director Burfeind replied he imagined their holding pond would probably go there. Council Member Olsen stated so that area really isn't going to be a piece of property for people to use; it will have a functional use. He stated you have a large amount of impervious surface there.

Council Member Khambata stated initially he wondered why it was so close to the road, but then he realized that on the other side of this is residential; so, the setback from 100th Street is helping to soften the size of the three-story building across the street from the residential area. If you had to pick one side or the other to have the shorter setback, he thought this makes the most sense as far as keeping everyone happy. He thought where it could be problematic is it depends on what goes on this opposing parcel. Council Member Olsen stated that's why he thought that tree line would be nice.

Administrator Levitt told Council Member Khambata he's exactly right; with the existing residences to the north, it's a little challenging to try to get a berm and buffer in there. So, our direction to them was to try to set it back from that existing residential neighborhood, knowing that we're looking at nearly a five-story building on the other side of the street. Those two would be more complementary to one another and would not overshadow the existing residential properties.

Council Member Dennis stated he noticed on his recent trip to Brooklyn, with much of the retail development going on there regarding density, building size, and building heights, etc., one substantial thing being done was terraced effects done to the buildings that allowed more natural light to get in. It allowed a more pleasing sense to the eye; you might be losing some square feet, but when you terrace, you can provide some balcony or deck-type areas that would be available for that end user to enjoy.

That might be something that could be looked at in a situation where you're in tight against lines, but you terrace the effect back, so you open up and soften and create that illusion that you have more space than what you do.

Manager Yetzer stated that's a great point, and these are all things we can work on with our design team, too, as the plans become more fully developed. What we're trying to weigh here is maintaining the affordability; so, many of these design features will have an impact on construction costs, too. We're trying to kind of weigh being able to maintain the affordability and make the project still a fit for what Cottage Grove is looking for in the area. He was glad to hear that feedback, and we'll work through the PUD process with staff and Council to incorporate that as much as we can. Our goal is to also help maintain this affordability through this project to serve the market we're looking for, so that's another aspect at play here.

Mayor Bailey stated he assumed the Council agrees that we need more affordable options within our community. We also must weigh how it looks within that category, maybe the physical appearance of the building or its proximity to the street. If they find that this green buffer area isn't going to be all that they thought it was going to be, but instead a stormwater pond, maybe the building could get reoriented a little better where they can get more of a buffer along this road.

Council Member Thiede asked Director Burfeind if the dashed line coming off of the road will come out of the neighborhood to the west, across the street, that dashed line that comes over to Hamlet, is that a right-of-way or can they not cut across that?

Planner Schmitz stated this line here comes through the site, and she just thought that was a general way to show what that distance is from the building and the parking lot. Council Member Thiede stated if we stretched it a little bit to have a larger angle here; Manager Yetzer asked him if he's talking about this western wing over here, kind of angling that out a bit? Council Member Thiede stated even like this if you moved it a little bit more there and it came a little further from the road and kind of angled over. He doesn't know what kind of water ponding or retention, what percentage of this they can use, but it would help not make it so boxy.

Council Member Khambata stated we're getting these L-shaped or U-shaped buildings with parking kind of tucked inside. He's sure it serves numerous purposes, but is he right to assume that's the most cost-effective way to do both a parking lot and to do the building, in terms of the number of units?

Manager Yetzer replied it's the most efficient way to do the construction, with our right angles and reducing the number of turns. Council Member Khambata stated the alternative would be to put the building in the middle and have the parking lot around the outside, but then you get twice as much asphalt, twice as much impervious surface. From already constructed projects that he's seen, with options to have a parking lot out front or to have a building closer to the setback, he thinks having a building closer to the setback is more aesthetically pleasing than having the parking lot, and then the building way in the back because you inevitably get snow storage issues, and somebody will have a car that won't start. For people who aren't parking there and are just passersby,

he still thinks this is the more aesthetically pleasing option; rather than rotating it 180 degrees, putting in a setback closer to 100th Street, than having the parking out on the big intersection. It might be more imposing, but architecturally it will be more appealing.

Mayor Bailey told Administrator Levitt when we looked at those projects on Hardwood, they did a visual for us; if you're standing over here and you look, this is what you'll see. That might be an opportunity for them to give us some idea of what somebody might see if they're standing at whatever angle to the building, that would be good. He likes what they're doing, he likes the buffer, especially against the general residential neighborhood, he thinks that's great. He needs something more for over here on the 25 feet, just to understand what that's going to look like or feel like. He told Council Member Dennis if they were building this on 80th Street, like the Grove80 apartments, he'd say yes, not a problem. He just wants to be able to understand what the residents will see when they go there. We don't know what's necessarily going to go on the back side of your proposed project, but we already know what's going across the street.

Administrator Levitt stated we're looking for affirmation on the TIF. We put a range of \$1.35M to \$1.8M. We just want to make sure Council is comfortable with the TIF application for the project and if you'll be supportive of that.

Council Member Olsen stated that's the only way we're going to get the affordability, and Council Member Khambata and Mayor Bailey agreed they're in favor of it.

Council Member Khambata asked what their estimated timeline was if they proceed with this project. Manager Yetzer replied ideally, if everything works out, optimistically it would be getting in the ground this coming Fall. There are a lot of moving pieces out there with different infrastructure extensions, etc., so all of that must be worked out. Manager Yetzer thanked the Council and said he appreciated their time.

4. ADJOURNMENT

The meeting was adjourned at 6:53 p.m.

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