

In accordance with the requirements of Minnesota Statute Section 13D.02, Council Member Khambata will appear remotely via interactive technology from the following public location: Hilton Garden Inn Conference Room, 101 East Hiawatha Drive, Wisconsin Dells, Wisconsin, 53965

MINUTES
COTTAGE GROVE CITY COUNCIL
COUNCIL CHAMBERS
12800 RAVINE PARKWAY SOUTH

October 18, 2023

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

1. CALL TO ORDER

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

2. ROLL CALL

City Clerk Tammy Anderson called the roll: Mayor Bailey-Here; Council Member Khambata-(Present after Roll Call taken); Council Member Thiede-Here; Council Member Olsen-Here.

3. REGULAR AGENDA

- A. Workshop - Development Project by Roers
Staff Recommendation: Provide feedback and direction related to the proposed project, proposed building height, and requested TIF assistance by Roers Companies.

Mayor Bailey stated this workshop meeting tonight is a development project by Roers. He asked those present for this meeting to introduce themselves, which they did: Council Member Justin Olsen; Mayor Myron Bailey; Council Member Dave Thiede; Monique Garza, Board Member, Cottage Grove Area Chamber of Commerce; Jennifer Levitt, City Administrator; Gretchen Larsen, Economic Development Director; Schane Rudlang, Ehlers; Ryan Burfeind, Public Works Director; Tammy Anderson, City Clerk; Peter Koerner, Public Safety Director; Brenda Malinowski, Finance Director; Tony Khambata, City Council Member; Emily Schmitz, Community Development Director; Mike Mroska, Senior Planner; Travis Fauchald, Senior Development Associate, Roers Cos.; Pete Costanzo, Kaas Wilson Architects; Logan Schmidt, Developer, Roers Cos.; Sam Trebesch, Principal Engineer, Roers Cos.

Mayor Bailey welcomed all of the guests, stated he appreciated them spending time with us to go through this project.

Mr. Costanzo stated he's been working with Roers for the past couple months on their Concept Plan for 6850 East Point Douglas Road. We thought it was a good time to bring this forward and ask Council to review it and discuss some options. He stated Travis and the Roers team would speak now.

Travis stated Roers Cos. is a multifamily developer based in Minnesota. We're very excited about the project and appreciate the opportunity to be here. We will introduce the project and talk through the next steps in conjunction with our PowerPoint presentation. Roers Cos. has been in business for ten years and done a number of projects, initially in North Dakota and other regions; over the last ten years, they've grown considerably to 200 employees. We've attributed our growth to being a full service real estate development company: We build our projects with general contractors in Minnesota, Florida, and Texas; once the projects are up and running, we have a property management company to manage them. We have done a lot of work in the Twin Cities and surrounding suburbs, including Woodbury and Oakdale, some are under construction in Rosemount and West St. Paul; so, we have a lot of experience in multifamily project types. We also do Mixed Use with some retail, but predominantly focus on multifamily residential communities, including senior 55+, affordable workforce, and market rates. We like to be in the room to seek feedback from the city in which we're working. We want to be a good partner with the City, so want to propose a quality project that will benefit the residents, our neighbors.

Tonight we want to seek some feedback on a 144-unit workforce housing project on East Point Douglas Road, with some units restricted at or below Washington County's AMI (Area Median Income). The regular units will be unrestricted, but hope to have the flexibility to have them below market-rate rents. With the affordable housing, we are going to have a TIF request, which we can discuss later. We're really excited about the project, as off Highway 61 it will have a lot of visibility, it will stand out. We'll make sure its exterior fits with the City's requirements as we work on the site plans, and will make sure it's a focal point for the community. A similar workforce project we've done is Axle Apartments in Fridley, and its a really strong asset for Roers; its very similar to this proposed Cottage Grove project, with really nice amenities, and will look and feel like a market-rate project. This project will have exterior balconies, and interiors will have quartz or granite countertops and stainless steel appliances.

Travis stated we're here because we understand there's a need for affordable housing, it's one of the City's goals, and we know Cottage Grove is a growing suburb, so it's very attractive from a development perspective. We think this project will meet many of the goals the City has set forth in its Comprehensive Plan, including land use goals and current Zoning Districts. There are some site constraints that will force us to kind of deviate from some of the design and performance standards; the topography, stormwater, and gas lines are the main ones. We're going to do whatever we can to kind of fit the City's zoning codes.

We're excited to provide affordable housing wherever we can; we originally looked at this one as being 100% affordable, but with the time it takes to get tax-exempt bonds, the interest rates, and variable construction pricing, in order to make this project work we are providing some higher workforce level rent. We're happy to propose a variety of

different income levels and a housing project that will be right next door to bus and other public transportation. He knows some other groups have looked at doing a project here, but we're confident with our design team we can get the project done, and it will look awesome. In addition to the housing and land use goals, the amenities of this project will include a trail system that we're going to install, as well as private open space.

Travis stated as he mentioned earlier, given the gas pipeline, the topography, the underground stormwater ridge build, the amount of soil that needs to be extracted from the site, and the interest rate environment we're in, we're going to need to request funds from TIF to get the affordable housing units built. TIF is unwilling to do market-rate projects, which we understand. With the affordable housing needs here, that's what we want to provide. So, if TIF is available, we'd love to provide those units.

Tonight, we're seeking some Council feedback on the project and the design. Right now, we're in a position to submit for preliminary plat and site plan approval as soon as later this week, if there's no feedback or design requests, aside from the ones we discussed earlier. Travis stated he'll open it up to questions about us and the project.

Mayor Bailey thanked Travis for sharing the information. He stated he had some questions, as did the other Council Members.

Mayor Bailey noted Travis had mentioned the West St. Paul project; he asked which project is theirs in West St. Paul. Travis replied that project is called Savor Apartments, which is another workforce community. It is built and has been leasing, it's a Mixed Use project with some retail.

Mayor Bailey stated when reading through the packet, it sounded like from staff's perspective, Roers is comfortable with the trail connection and Camel's Hump. It sounds like you're also working with the different class of materials. Travis brought up a great point, which is very important to us: It will be the first thing people are going to see coming into Cottage Grove versus the other two projects there. So, of course we want it to look great.

Mayor Bailey asked Director Koerner if Public Safety is comfortable with the height of this building. Director Koerner replied Fire Chief Rick Redenius is good with it, so there are no public safety concerns.

Mayor Bailey stated that as it is built, some of it will be more into the hill, so asked if the end that's towards Highway 61 is going to be the taller portion of that building.

Travis replied that's correct; the north side will be built into the hill with an underground garage, but the south-facing elevation towards the highway will be a little bit higher.

Mayor Bailey stated that's kind of like how The Legends are, and stated he likes what he sees. He told Travis he's correct, we've had a number of people come in to try to figure out a project for that area; so, if you've found the right piece to fit the puzzle down there, in his opinion, he thinks it's a great addition to that area.

Council Member Olsen stated obviously when we do any kind of affordable housing project, there are several financial elements that need to come together to make that work. He heard Travis mention TIF; he assumes he's also explored all of the various tax breaks and other opportunities that might present themselves to you financially. He

asked as you think about TIF for this project, do you have an idea of length of time that you're looking for with a TIF District. He asked if they'd talked about that at all.

Travis replied yes, they've been working with Mike and with Ehlers on an initial underwriting. He thinks right now, we're sitting at 15 years of TIF, based on the current other numbers.

Council Member Olsen asked if that was accurate.

Schane replied where we're at right now is 10-to-15 years, with underwriting, we're at 10 years. There should be a memo that was provided to the Council outlining that. The costs are still fluctuating, so we are open to continued conversations, but right now, we're looking at 10 years.

Council Member Olsen stated he asked because those TIF Districts tend to fluctuate based on how you massage the numbers, and we're talking about some exterior façade things that need to be addressed, etc. The trap that he would not want to fall into is making it too long of a TIF District; we've done that before, and it's certainly something you can do, but it doesn't mean you should. He just wants to be careful about that.

Council Member Olsen stated he's sure Director Burfeind has been involved with the stormwater situation here; we're looking at underground stormwater for this. He asked if we had to do it that way or was there just no other option. Council Member Olsen stated he knows we've got some stormwater ponding in the area for the other facilities.

Director Burfeind stated there's a pond that's on the cul-de-sac and that actually takes like East Point Douglas Road, and there's a pond actually uphill because there's a ravine that comes down, but it is obviously a very tight site with that gas pipeline. So, he thinks that takes care of all the constraints they were discussing.

Council Member Olsen stated that just sounds more expensive to him, so that's why he was asking the question; Director Burfeind confirmed it is more expensive. Council Member Olsen stated if we do that and some other things, if we're concerned about expense, he just wants to know that we explored all of that.

Council Member Olsen asked if they had talked to the neighbors or if have had conversations with some of the other facilities that are in the neighborhood about what you're planning. He knows the others in that area are pretty proud of their area, they really like it, and he's certain that there will be some people who probably would be resistant to any sort of change. He asked if any kind of outreach had been done.

Travis replied there has not been yet, but over the course of seeking site plan approval and requesting any variances, we would certainly have a neighborhood meeting; they would mail all the neighbors within a certain number of feet from the parcel.

Council Member Olsen spoke about the annual Night to Unite, previously National Night Out, and we do noon outs where we go to the retirement communities. When we go there, we get peppered with questions about their little piece of the pie and future developments and their effect on traffic; they're very sensitive to that, so he encouraged them to please do their best to make friends with them.

Planner Mrosia stated something we've discussed with the applicant is holding onsite meetings at both The Legends and White Pine on separate days.

Mayor Bailey stated he doesn't think anybody down there is against anything, but they just want to know what we're going to do down there, want to be in the loop. If you

have advance meetings to share information with them, he thinks they'll gain some actual cheerleaders for their project.

Council Member Olsen stated it looks like a nice project. If we can make the necessary adjustments on façade, he thinks it will be a real nice addition to the area. Mayor Bailey stated he agreed.

Council Member Thiede told Director Burfeind he had concerns about the traffic, as he understands it will be one way in and one way out. Director Burfeind stated yes, in terms of East Point Douglas Road, it's south, and there are no issues with that. It's just a two-lane road, but traffic could be a lot lower than what a lot of our two-lane roads are that go through other neighborhoods, so, there are no issues there. We'll obviously continue to watch the intersections on Hardwood; he's doing a warrant analysis for Hardwood Court, and further down the road would be Harkness. Council Member Olsen stated it's getting busier with Pizza Ranch, and everyone agreed. Director Burfeind stated we'll continue to watch those. We're doing the preliminary design for the signal at Hardwood Court; we'll have to continue to talk about that because it doesn't meet warrants yet, but we want to be ready, as that's in the CIP so we're good on the preliminary designs for that.

Council Member Thiede stated otherwise it looks fine to him. He asked how many stories it was going to be. Travis replied it will be six stories on the highway side; up the hill, it's five stories, there are going to be two levels buried underground on that side.

Council Member Thiede stated it's always good to kind of see how it fits with the other buildings that are there, how it will look with White Pine, in terms of the height. Sometime it might be nice to see how it will look if you drop White Pine in there and see how it will look with the elevation, etc.

Administrator Levitt asked Travis if they had included that information in their presentation; she knows that's in the staff report. Travis replied that they're not in the presentation, but they are in the staff report. He could pull those up for some perspective if that would be helpful. Mayor Bailey stated we could do that later; his assumption is that some of those floors, because of how far up White Pine is, will be fairly close just because of how far down Roers is going to have to go in on the other side.

Administrator Levitt stated they also spent some quality time on a shadow analysis of how it would face the adjacent properties, and that information was in the packet.

Council Member Olsen asked if they had any concern about the trees or tree mitigation or anything like that. Administrator Levitt replied when Frank Frattalone developed this site, a lot of that had already taken place and been mitigated. Council Member Olsen stated it's actually a very beautiful area. That's another thing that the retirement communities really like is that it's almost got its own sort of personality, it's sort of peaceful and green.

Travis stated one thing we didn't talk about through the proposal is we want to try to preserve a lot of trees. That's one thing that Director Zac Dockter brought up during our earlier discussion of the trails was to make sure there's some tree preservation.

Council Member Olsen asked if they'd already done the tree inventory; Travis stated he believed the City had already done the inventory, which was confirmed. As mentioned, we're pushing the building a little further north, so we're impacting some trees, but the bulk of the hill will remain.

Council Member Khambata thanked everyone from the Roers group for putting in the time that they have for this project. He knows that building affordable housing has become increasingly difficult with an increasing number of hoops that need to be jumped through or navigated to get it done. With that, he's curious if they have or would consider Section 42 for additional funding. As you had stated, the time it takes to do that can be problematic, but he knows that 50% of AMI is nice, but that's still \$51,000 a year that somebody's making if they're at 50% of AMI. So, on the Council side, he would really like to see some more 30% AMI. He's looking for insight from Roers, having kind of done a feasibility study on the area, what would it take to get some 30% AMI housing incorporated into this project or is it just not feasible.

Travis stated we originally looked at doing a Section 42, 4% bond yield, and ultimately what drove us to prohibit from an affordable project to a workforce project was feasibility; ultimately, it was not financially feasible to get a project across the finish line with the 30% units with 50% a fair market unit. If we were to provide more 30% units here, it would come at a much larger TIF request, depending on how many units were proposed. We can certainly take a look at it and run the numbers and see if it might be feasible.

Council Member Khambata stated he knows there's a lot banking on that question, so he wasn't anticipating that you'd have a quick response. He was just curious as we continue to try and promote affordable housing in the community, we like to promote that we have shovel-ready projects. He's curious to learn more what a 30% AMI project looks like or what a shovel-ready opportunity looks like for a company like Roers to want to move forward. So, in the future, when those opportunities present themselves, we can maybe kind of bring those pieces together.

Council Member Khambata asked other than on this project, with regard to the 50% AMI, is that something that would stay at 50% AMI for perpetuity, or are you seeking that just for the life of the TIF. What's your long-term goal with the property and with those rental rates.

Travis replied those restrictions would run with the housing TIF District, so, it would be for the 26 years of the TIF District that that restriction would be implemented. So, that's what our plan would be. At that point, 30 years from now, we could reevaluate and see if it still made sense to do that, but that's what it would run with.

Council Member Khambata asked if you say that you want to keep the other units below market rate, do you have any projected rental rates for studio, one bedroom, two bedroom, and three bedroom options.

Travis replied, off the top of his head, a studio would run around \$1,200 per unit, a one bedroom would be \$1,300 to \$1,400 per unit, a two bedroom would be \$1,700 to \$1,800, and a three bedroom would be around \$2,000 to \$2,200. We intend to be \$100-\$200 below what Grove80 might be charging on a new market-rate community. Travis asked Schane to share those numbers. Schane stated for the market-rate units, they're

currently at \$2.17 a square foot for rent, prorated, for all of the units; so, that puts the studio at \$1,425, a one bedroom at \$1,575, a one bedroom-den at \$1,800, a two bedroom at \$2,015, and a three bedroom at \$2,615.

Council Member Olsen stated that's really close to Grove80. Mayor Bailey added Grove80 said that's the market rate.

Council Member Khambata stated his initial impression of the project is he thinks it's a thoughtful use of that parcel. To Council Member Olsen's earlier question regarding the neighbors, he thinks that's an important aspect. Every time Council Member Khambata is in that area, the residents want to know what's next. He feels having neighborhood meetings with the surrounding communities would serve you well in getting useful feedback. So, when you bring this back to us for further approval, we can kind of tweak that and have everything ironed out before we get too deep into it and then have to try to sell it; that's been our experience with other projects that have come forward. The neighborhood meetings tend to bear some fruit for the developer in terms of finding out how to make the new addition fit well into the community.

Mayor Bailey asked what's your timeframe, when are you looking to get into the ground.

Travis replied we would be looking to hopefully submit very shortly, we may pause to submit site plan approval and preliminary plat to receive neighborhood feedback, but ultimately we will be submitting for those approvals in the next month or two. We would then begin working on architecture drawings in the meantime, and those can certainly be modified and changed depending on the feedback that's received. We would be seeking to submit our construction drawings in Q1 of 2024, to ultimately work alongside tending up our bank, raising money, and facilitating our equity investment so we'd ultimately be closing on the financing. He'd say our reasonable timeline to have a shovel in the ground would be late Q2 2024 if all things go well, barring anything that's out of our control.

Mayor Bailey stated that we know weather can play a big part in that, too.

Council Member Olsen stated speaking of financing, as Council Member Khambata suggested, maybe just run us some numbers with respect to the 30% AMI vs. 50% AMI. Obviously, the first thing that popped into his mind was that's a longer TIF District, and he understands that, but he still thinks there's value in running those numbers. He'd be really curious to see what that would look like in real terms, relative to the length of the TIF District and whatever other financing nuances need to be put in place. Information is power, and we certainly appreciate that you're coming to us with a project like this. If there is a way to make that happen that's amenable to all involved, that could be a big win. So, if you don't mind just doing a little bit of number crunching, he knows he'd sure appreciate it, and he assumes Council Member Khambata and the rest of the Council would. Our friends at Ehlers probably already did it, they're that good; Schane stated it's close, but not quite.

Mayor Bailey stated once you get to the point where you're going to have conversations with the two neighboring facilities, White Pine and The Legends, come up with your terminology of what to use for workforce housing; that's because sometimes people

have this thought in mind that there's going to be, with all due respect, hoodlums and crime, etc., which is not accurate. You're also dealing with older clientele there, so, he wants them to be aware of that when you hold those neighborhood meetings. Mayor Bailey stated he might also plan to attend those, just because he knows a lot of people who live there, and he wants them to understand that this looks like a really good project. People look at the word workforce, and some people call it Section 8 housing or low-income housing. There are all these terms out there, which change over time, so he doesn't know what the newest term is these days, but he'd like to try to soften that comment.

Council Member Olsen told Roers they will ask you about security, and they'll also definitely ask you about parking.

Travis replied that sounds great, we're working on other affordable projects, so, we're very comfortable with that conversation.

Mayor Bailey stated when you talk to the residents in that area, they definitely have their opinions, which is fine.

Travis stated that's why we think it will be a good idea to hold the neighborhood meetings at those specific sites; we can work with the property owners of White Pine and The Legends to determine a good time to do that.

Mayor Bailey asked staff if there was anything else that we need to discuss, and they indicated no, there wasn't.

Mayor Bailey asked Council Member Khambata if he had anything else he wanted to add. Council Member Khambata thanked Roers for their time and the effort that they put into this. He likes the overall scope of the project, and he echoes what Council Member Olsen said; if there's a way to make 30% AMI obtainable, he thinks it's a conversation worth having.

Mayor Bailey told Roers that we'll look forward to seeing them all again sometime in the near future.

Travis stated he appreciated the Council's time, and he'll be back.

Mayor Bailey confirmed with Travis that they got what they needed from the Council, and he replied yes, they certainly did. Council Member Olsen and Mayor Bailey also thanked Roers for their presentation.

4. ADJOURNMENT

Mayor Bailey adjourned the meeting at 6:38 p.m.

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