Cottage Grove
Economic Development

CITY OF COTTAGE GROVE
Economic Development Authority

AGENDA
January 9, 2024, 7:30 AM

1. Call to Order
2. Roll Call
3. Approval of Minutes
    - 3.1 Approval of Meeting Minutes - 2023-12-12
      Staff Recommendation:
4. Business Items
    - 4.1 Beige Book Report
      Staff Recommendation:
    - 4.2 Development Update
      Staff Recommendation:
    - 4.3 TIF District Plan and Establishment of TIF (No. 1-21) for Roers Cottage Grove Apartments, LLC
      Staff Recommendation:
    - 4.4 Dowdle Art Program
      Staff Recommendation:
    - 4.5 Business Retention and Expansion Program – Draft Plan
      Staff Recommendation:
5. Public Hearings
6. Other Business
    - 1 EDA Calendar
    - 2 EDA Comments
    - 3 Response to Previous EDA Comments
7. Workshop
8. Presentations
9. Adjournment

Economic Development Authority Action Request

3.1.

Meeting Date	1/9/2024
Department	Economic Development Authority
Agenda Category	Action Item
Title	Approval of Meeting Minutes - 2023-12-12
Staff Recommendation	Approve the December 12, 2023, EDA Regular Meeting Minutes.
Budget Implication	
Attachments	1. 12-12-2023 EDA Meeting Minutes

CITY OF COTTAGE GROVE

ECONOMIC
DEVELOPMENT
AUTHORITY

MINUTES
Economic Development Authority (EDA) Meeting
December 12, 2023

Pursuant to due call and notice thereof, a meeting of the Economic Development Authority was held on the 12th day of December, 2023, at 7:30 a.m.

CALL TO ORDER

The meeting was called to order at 7:30 a.m. by EDA President Bailey.

ROLL CALL

Assistant Mann called the roll: EDA President Bailey-Here; EDA Member Carey-Here; EDA Member Jean-Baptiste-Here; EDA Member Myers-Here; EDA Member Scott-Here; EDA Member Tschida-Joined meeting after Roll Call, approximately 7:34 a.m.

Members Present:	Myron Bailey, EDA President Chris Carey, EDA Member Dan Myers, EDA Member Sandi Scott, EDA Member Thomas Tschida, EDA Member
Members Absent:	Obed Jean-Baptiste, EDA Member Tony Khambata, EDA Vice President
Staff Present:	Jennifer Levitt, City Administrator Gretchen Larson, Economic Development Director Brenda Malinowski, Finance Director Jaime Mann, Assistant to the City Administrator/Interim Communications Manager Emily Schmitz, Community Development Director Alexa Anderson, Project Specialist
Others Present:	Robert Hunden & Cassidy Sutton, Hunden Partners (via Zoom) Stacie Kvilvang, Ehlers, Inc.

APPROVAL OF MINUTES

3.1 Approval of August 29, 2023 EDA Meeting Minutes

EDA Member Myers made a motion to approve the August 29, 2023 EDA Meeting Minutes. Motion was seconded by EDA Member Scott. Motion passed unanimously (4-to-0 vote). Note: EDA Member Thomas didn't vote on this item, as he had just arrived.

BUSINESS ITEMS

4.1 Economic Development Update/Business Inquiry

Gretchen Larson, Economic Development Director, reviewed the Beige Book Report: Employment: Employment grew modestly since the last report. Labor demand was positive overall, but somewhat lower than earlier in the year. Price pressures: Increased modestly and fewer than a quarter of firms responding to a business conditions survey indicated that prices charged to customers increased from the month prior. Worker Experience: In a recent survey, almost half of employed respondents expressed satisfaction with their current job, wages, and company culture. Consumer spending: Was flat since the last report, and sales tax receipts were flat month over month and year over year. General and Real Estate Construction: Both sectors report that activity was flat overall. Manufacturing: Activity decreased slightly with respondents reporting decreased orders relative to the previous month and further expectations for decline. Minority and Women-Owned Businesses: Activity was balanced overall with roughly even shares of respondents reporting higher, unchanged, or lower sales. Profit margins were lower for more than half the respondents while capital expenditures edged higher.

We saw today that the Feds are likely to not increase interest rates and inflation is cooling, so we're hoping in 2024 everything turns around and maybe some of that interest rate comes down, as well as the construction costs.

Project Updates: Hohenstein's: Foundation work is completed and erection of exterior wall panels is underway. Glacial Valley Park: A Temporary Certificate of Occupancy was issued, while waiting for exterior finishing material. So, this project is almost done. Dunkin'/Baskin Robbins: The trade work continues on the buildout. The View Apartments: Temporary Certificate of Occupancy has been issued as work continues. The builder has replaced the material on the lower level with stone veneer. Chase Bank: Plans have been approved. The Community Development team is waiting on a cross parking agreement from Kohl's. O2B Kids: Civil work and the construction of the retaining wall is underway. RJ Schinner: A Temporary Certificate of Occupancy has been issued.

Director Larson stated Emily Schmitz, Community Development Director, would be happy to answer any questions about these projects.

EDA President Bailey stated he's seen the change on the brick on The View Apartments, and it looks amazingly better, so nice job getting that done.

4.2 Report from Hunden Partners - Arena Market Implications Study Findings

Director Larson stated just as a reminder to some, as she didn't think EDA Member Tschida was on the Board at the time, the City, the Shoppes developer (which is the 73 acres adjacent to Walmart), and Hunden Partners met at ICSC in May 2023. We had discussions about the development of the property and the feasibility of potentially a stadium venue at the property. With all large projects, in order to make an assessment of whether or not that would be true, the EDA approved that we engage the services of Hunden Partners for a Phase 1 Arena Market Implications Study. The cost for the study was $20,000. Today, Rob Hunden and Cassidy Sutton are going to be on your screen explaining the findings of their report to the Board and then answering any questions that you have; once that's done, we'll have a recommendation for you.

Robert Hunden, C.E.O. of Hunden Partners, greeted the EDA. He introduced Cassidy Sutton, and stated she will be giving the report.

Rob stated it was smartly decided by all of you to have a two-phased approach to the analysis: Phase 1 was an eye-level view of the market to understand if there's enough opportunity to continue pursuing a deeper dive market and financial feasibility study, with all the bells and whistles. Phase 1 was completed, and we actually did a lot more supply-and-demand analysis in this first phase than we were probably scoped to do because we wanted to be sure of our conclusions before we reported this to you. He thought the Board did the right thing by breaking this up into phases. He turned it over to Cassidy to give the results, and said he'd chime in if necessary.

Cassidy stated she'd first provide a brief background on how we got to our results. We first looked into those two main event opportunities that usually generate a large majority of activity for an arena: The first was sporting events, which often aids in providing that consistent activity for the arena through an anchor tenant, like the Minnesota Wild at Xcel. The second component is usually live entertainment, such as concerts and family shows, and that really helps to fill those remaining calendar dates for an arena. Both of these components are crucial in order for an arena to be financially feasible.

So, looking first into that live entertainment sector, those concerts and family shows, what might work from a market perspective as a whole might not necessarily work for the project to space out its characteristics. Throughout our conversations with event promoters, it was determined that the market is satisfied with its current supply of venues. There is essentially no unsatisfied demand in the Minneapolis market from a concert perspective. The Armory is the main host facility for all of those midsize concerts. Given Cottage Grove's further southeast location in the market, it would especially struggle in attracting those new events. For family shows, despite there being market opportunity, that preferred capacity of these venues, which is around 12,000, is too high considering that small amount of calendar dates that these events would actually sell.

Looking into that second bucket for arenas, which is sporting events, minor junior league hockey was the first anchor tenant opportunity that we analyzed. With there being such a limited prevalence of minor league and Tier 1 and Tier 2 junior league teams in Minnesota, it was determined that there is market opportunity for both of these. However, given the minor league's high operating budget and high-capacity requirements, junior league hockey is essentially the only league that would work for more of a project perspective. For youth and high school hockey, demand for this is heavily based on just local needs of associations. The Cottage Grove Hockey Association already heavily controls that prime ice time that you see at the Cottage Grove Ice Arena, but the high school hockey teams in the past have voiced a desire for a new facility with dedicated locker rooms.

However, as you go into our implications, to kind of sum this up, in order to prevent impacting current performance at the Cottage Grove Ice Arena, the amount of prime ice time that would need to be utilized for those high school teams at the end of the day just isn't sufficient enough to support that new arena. There is opportunity for a Tier 1 junior league hockey team, which would really be that main golden ticket item if the arena were to be developed. Given that there is limited opportunity from more of an entertainment perspective, which is really essential in filling those remaining calendar dates, ultimately the venue couldn't be supported financially to cover those operational expenses.

So, those are just the main findings that we had, just a brief summary of what we conducted. She wasn't sure if Rob had any other concluding thoughts.

Rob stated Cassidy summed it up well. Obviously, there's a much bigger study here than what we showed you today, but we really looked at those key legs of the stool and two things were actually pretty surprising to us: 1) That the concert and entertainment market is currently so well accommodated by so many amazing venues around the marketplace. In order to get something that isn't yet in the market of a size that would make any sense, like Disney on Ice, you'd have to build something quite large and expensive. So, that's a tougher hill to climb. 2) The fact that in such an ice and hockey-crazy region of the country, of course you have the Wild, but you don't have any smaller minor league or even junior hockey league teams and facilities around the market, which is absolutely surprising. There could be an opportunity for that, but again, that comes with a pretty high cost; if you aren't able to fill the calendar with concerts and family shows, in addition to having a minor league tenant, that's not necessarily going to be a full venue, a very occupied venue. So, it didn't make sense to really move forward, we don't believe, if you can't really fill the facility.

He stated one aspect of this that we didn't cover but we know to be true and would come out in the next Phase, which he thinks kind of helped us underscore where we ended up, is the fact that these ventures are not profitable; these aren't commercial venues, these are things that cities pay for, and so, they're very expensive, they can easily be $100 million. With that, even though that wasn't part of our analysis, as that comes down to more of the financial viability aspect of it, we received some indications during our initial work that suggested that it would be unlikely that the City would get behind a venture that didn't have a strong confidence of success and probably get behind a $50-$100 million project.

Rob said that's just something, that looking around the corner in the future, seemed like maybe not a good idea to continue spending money on this analysis if it wasn't going to be successful.

EDA President Bailey thanked both of them for doing the study. He knows that what they just shared was pretty much a theme from the Council; we were interested in the concept and to see if the belief was there was some opportunity out there on the East Side metro. For the EDA Members who are here, and some were not when this first got kicked off, there is a particular developer that is looking at developing what we call the Shoppes at Cottage View, on the former drive-in theater site. One of the options that they were looking at was some type of a stadium or an arena that they would then supplement with restaurants, hotels, etc. around that. They've done a few around the country, but we were a little concerned, and it sounds like the validation is what they just shared with us; there is some demand, but it's certainly not to the level of where the City of Cottage Grove would be able to say that this was a financial way for us to move forward. He thought it was good to do the study to give us an idea; that study is our study, so, we have that for the future. Also, just coming off a failed referendum question for a Community Center a couple years ago, he thought that was about $46 million, to have the City now say that we're going to fund a stadium for $50-$100 million was probably highly unlikely in this particular case.

EDA President Bailey asked if any of the Board Members had any questions for them but none were asked.

EDA President Bailey thanked them again for providing the data; this is honestly what we needed to understand what the next phase would be, both for us as well as the developer. Maybe at some point in time down the road we'll be talking with you again.

Rob stated very good, thank you so much for the opportunity to work on this with you. We'll be happy to be of service in the future; they work on all kinds of compelling, game-changing, transformative, place-making project assessments and advisories. Those include hotels, conference centers, arenas, or mixed-use districts, anything like that that could be a gamechanger for you, so feel free to give us a call.

Recommendation: By motion, Receive the report from Hunden Partners, as presented.

EDA Member Scott made a motion to receive the report from Hunden Partners, as presented. Motion was seconded by EDA Member Tschida. Motion passed unanimously (5-to-0 vote).

4.3 Housing and Redevelopment Authority (HRA) Levy

Brenda Malinowski, Finance Director, stated we do not have any action that you need to take on this; this is information because your next item, your 2024 calendar, is why we're doing this today. She stated Stacie Kvilvang from Ehlers is here today, and she will discuss some of the reasons and differences between EDA and HRA levies. Ehlers helps us not only with bonding, when we issue bonds for our pavement management projects, but they also help us with our Tax Increment Financing (TIF) Districts, our certifications and decertifications. Something that they helped us with this year was a ten-year Financial Management Plan (FMP). We did the FMP with the City Council earlier this year, and we looked out ten years for the City for our operational needs, our debt needs, our capital needs, and then we also looked at property tax impacts. So, we not only looked at our General Fund, which is our chief operating budget, but we also looked at other funds, such as our EDA. Right now, we have a small portion of our property tax levy that goes for EDA activities; for 2023, it's about $125,000. As we looked at the FMP, we realized that we have just over two fulltime employees (FTEs) who do EDA activities, and we weren't covering the full amount of their salaries. So, for next year, for 2024, we're increasing it to about $250,000. Also, the City Council had a consensus to start doing a higher property tax levy for EDA and redevelopment activities in the City. One of the ways that we can do this is not only with the EDA Levy but also the HRA Levy. So, that's why we have Stacie here to discuss the advantages of those two levies.

Stacie Kvilvang gave a little background for the commissioners, as she wasn't sure how long each of them had been an EDA Member. Essentially, you are an Economic Development Authority and you also have Housing and Redevelopment Authority powers. That's pretty common; its one body that has both powers, which is great, you get to do it all: Business development, Housing and Redevelopment. Many cities have an EDA with EDA powers and an HRA with separate powers, and two Boards. Cottage Grove has combined them into one, which is actually great, and it's actually a little more convenient because eventually you're coming together on your policies and recommendations that align more closely with the City Council.

As Director Malinowski stated, we've been talking about the EDA Levy vs. the HRA Levy. The difference between the two is basically there's a statutory amount that you can generate for both of those, but you're restricted in what you can actually use those dollars for. An EDA Levy is a levy that the EDA does, the City does on your behalf; with that, it's not as transparent because it just comes into the overall City levy, so there's nothing that's separated on the tax bill for residents or others.

Stacie stated the HRA Levy is a little bit different. You, as an EDA, can approve that HRA Levy on your own, but the City Council has to give final authority on it. The nice thing about that is its listed separately on the tax bill; residents, when looking at their tax bill, will see City of Cottage Grove, Washington County, the School District, and then they'll also see an HRA Levy and/or other taxiing jurisdictions that are listed.

Part of the discussion when we were working with the Council on the long-range FMP wasn't only just about what they should be levying, as in EDA, for all your Economic Development, Housing and Redevelopment opportunities, but where is the transparency? Is it better to do one over the other? We'll talk a little bit about that.

Stacie stated the EDA maximum levy calculation is about $1.1 million; an HRA maximum levy calculation is $1.1 million. Again, they're very similar in the formulas and the amount that you can generate.

As an EDA, because you have HRA powers, you could levy both. So, let's say the City says let's go to the maximum; you could levy $2 million into your budget to do all kinds of Economic Development and Housing and Redevelopment. That doesn't make practical sense, because Cottage Grove doesn't spend $2 million a year on that. So, the biggest expenditure that we find with EDAs and HRAs is staff time, which is appropriate. You're charging staff time, either Director Larson's time, the City Manager's time, Planning and Economic Development's time, to that. Right now, it's at $125,000, and we're increasing that $250,000, as Director Malinowski had stated, because you weren't even covering salary costs. So, what's happening is that your EDA Fund is starting to decline because you're eating into that Fund Balance, as you're not levying enough for staff. Stacie stated the plan over the next ten years is to start to increase that levy, and eventually get it up to that $1.1 million; it doesn't matter if you choose to levy under the EDA or the HRA.

A couple other things with those two levies is that an EDA Levy is a City levy, if there are ever levy limits by the legislature, which hasn't happened for about 15 years, that would fall under levy limits; that's basically a cap by the legislature on how much you can increase your levy, but again, they haven't done that in many years. That's where you would have a little bit of an issue that if you needed to levy so much, but it put you outside the levy limits, you wouldn't get as much as you needed. Because the HRA Levy is a separate levy, outside of the City levy, that's not part of levy limits that are out there.

Stacie stated, again, the City can levy both if you want to. The City Levy and the HRA Levy show up as separate levies on the tax bill. It's the same use of the funds, but if you just have an EDA Levy, you essentially could not use the EDA Levy for housing projects. Likewise, the HRA Levy you couldn't use for business loans. If you wanted to do the business façade grants that are out there, or if you wanted to do loan guarantees for businesses, you couldn't do that.

It doesn't matter which levy you do; you just have to think about what you want to do as an EDA. Most of the work that you guys do and all the projects you do, like Trellis, on your agenda today, even though it's a housing project, you're still doing that because you have your HRA powers. Most everything that the EDA funds and finances is through TIF; so, that has nothing to do with the levy at the end of the day. It's going to be a balancing act with staff, to say do we just move directly to an HRA Levy and that's all we do, or do we still do some EDA Levy because we want to build up our Fund Balance. You, as the EDA or the Council, may want to start some programs to do things to incentivize businesses to come here for which you can't use your traditional tool of TIF.

Stacie stated she'd be happy to answer any questions.

EDA President Bailey thanked Stacie and asked the EDA Members if they had any questions.

EDA Member Tschida asked when would be looking to put this on the ballot.

Stacie replied it does not have to go on the ballot at all. This is something that you, as an EDA, can actually do. So, if you choose the HRA Levy and say yes, we're going to authorize a levy of $250,000, it will go to the City Council as part of the budget process; they would bless it and say yes, we agree that they should have that. Likewise, you already have your levy in there for $250,000 for 2024, and the Council has already signed off on that. There is no ballot requirement here.

EDA Member Tschida stated the State just passed the largest housing bill in the history of Minnesota by a distance, it was over $1 billion dollars. Part of that was a new sales tax in the metro. He asked how do we tap into that instead of raising taxes in Cottage Grove.

Stacie replied those dollars are restricted, and those dollars are going to go to the City. Essentially, that money has to be for affordable housing projects; so, it has to be for rental projects that meet certain income requirements. You have to have affordability at 60% of the Area Median Income (AMI) and below. For example, the Trellis deal that is before you tonight, we're using existing TIF District dollars to provide them the $185,000 in assistance. If you had that sales tax money available to you, you could also use that if you chose to do so. But in this case, we're using existing TIF dollars so we don't have to create a new TIF District for it. So, again, they're restricted only to housing out there.

EDA Member Tschida stated the new HRA Levy would also be restricted to housing, correct?

Stacie replied HRA Levies are for housing and redevelopment; so, you can use it for staff time, but sales tax you can't use for staff time or administration. The HRA Levy you could also use for redevelopment objectives that you have. So, think of something that's old and tired, like a shopping center. If you're going to redevelop that, you would be able to use the HRA Levy for that if you weren't able to create a Redevelopment TIF District for it.

EDA Member Tschida asked if we can use a HRA Levy on business façades.

Stacie replied you cannot use the HRA Levy on business façades; as stated, you have to use the EDA Levy for business purposes. So, under your HRA powers, you cannot give loans or grants to businesses for business loans and purposes, such as façade improvement. With the HRA Levy you can use that for redevelopment in the larger context and housing.

EDA President Bailey stated he thinks he knows where EDA Member Tschida is going with this; you are correct that with this money that's coming in from the State, there is money that's going to come to every city. He confirmed with Stacie that it flows through the County; she stated it's the seven-country metro area.

EDA President Bailey stated it flows through Washington County, then the County divvies it out, based on size or population of cities. So, there is a portion of the money that is coming to us. Right, wrong, or indifferent, everybody gets a certain amount of money. That money is different than the HRA Levy if we did an HRA Levy. The idea is how much money do we need for some of these projects to get done, that's what this is all about; we'll get a certain amount of money from the State and asked staff if they remembered the projected amount for Cottage Grove.

Director Malinowski stated the projected, or estimated, amount is $234,000.

EDA President Bailey stated that would be the money that would come to the City to be utilized. Using Trellis as an example, if we were to do that, $185,000 or so would go to this one project in this particular case. What we've noticed is when we do a lot of these affordable housing opportunities, the gap for making it affordable is much larger. So, what ends up happening is the City has to do TIF; so, it's almost taking it out of one bucket vs. the other. If we didn't do TIF, but we gave them money through the HRA Levy, we would then not need to do TIF. So, the revenue from that project would flow into the City. Either way, we're paying for it, it's just which way do you want to pay for it. Hopefully, that's helpful. You see these huge numbers from the State perspective, and when we get down to the nitty gritty, $234,000 isn't a little chunk of change, but in the grand scheme of things with a project, it's fairly small. So, in most cases, what would end up happening is if we said we didn't want to do TIF or anything like that, we would have to save that money for a number of years; what we've previously done is we've used some EDA funds to do these projects. When we use the EDA funds to do these projects, that takes away from our opportunity to do commercial or Business Park opportunities. It's trying to figure out how do we balance that, and that's what this is all about. The Council has asked, and that's what the EDA is here for, if there should be two levies, what those two should look like, what are the differences between the two, because Council was asking the same questions. So, that's why they're here to kind of talk about this today; here are some things you can or cannot do, whether it's with an HRA Levy or an EDA Levy.

EDA President Bailey stated he's not sure if that's what EDA Member Tschida wants because of the taxing standpoint, but that's where this is at. EDA Member Tschida stated fair enough.

EDA President Bailey asked Director Larson or Director Malinowski with what you're proposing to us today, what's the next step for the EDA and the Council.

Director Malinowski replied the next step would be during the summer of 2024, as we're starting to do our City budget, it's always a balancing act of our property tax levy; so, that's when City staff and City Council will start looking at the amount to propose to the EDA to levy for HRA for the 2025 property tax year. We'll bring that back to you informationally. Then, in December, the EDA will have to hold a meeting after 6:00 p.m. in order to do that HRA Levy. So, that is why we're here today, to kind of give you that information regarding the EDA Levy vs. HRA Levy, so that when you adopt your 2024 calendar today, that is the reason for that night meeting in December 2024.

EDA President Bailey stated so, that's why we set this up this way; there's a requirement by law that the EDA would have to have a meeting in December, after 6:00 p.m. He stated nothing has been confirmed yet at this point, the Council and staff will work together. As was mentioned earlier, our Council using this long-term FMP, we've really looked at this to try to keep the taxes stable; that's ultimately our goal for a ten-year period, to keep it at a certain level. So, what we're trying to do at the same time is how do we keep it so that the tax implications of anything we do in the City doesn't adversely affect the citizens of Cottage Grove.

EDA President Bailey stated he wanted to make another point. We just approved the budget for 2024 at our last City Council Meeting, and we, as a Council, always like to know comparatively where we sit in Washington County and with those cities in the Twin Cities metro area. In Washington County, the City of Cottage Grove has the second lowest City taxes; the only city that collects less than us is St. Paul Park. St. Paul Park gets a lot of Local Government Aid (LGA) funds from the State, which helps them keep their levy lower. Within the Twin Cities, he believed we were the third lowest with only Blaine and Shakopee lower in the amount of city tax dollars that the citizens pay. We want to make sure that with the tax side of things that we're definitely staying near the bottom, that's just how we've been, so that our citizens get the best value.

4.4 2024 EDA Meeting Calendar

Director Larson stated Director Malinowski did a great job of presenting this, so this will be really quick. You can see the proposed 2024 Economic Development Authority calendar. All of the meetings are on the second Tuesday, with the exception of December 3; so, what you're doing today, if approved, is you would adopt the calendar. Then that would allow you to, as Director Malinowski reviewed, do some preliminary levy, if you decide to do it, before September 30, 2024. Then you would have a final levy adopted on December 3, 2024, at 6:00 p.m.; so, that would be an evening meeting. So, to meet the requirements of the law, you need to approve and post this calendar on or before January 1, 2024, so the public has notice of these upcoming activities.

Recommendation: By motion, Adopt the 2024 Economic Development Authority Calendar as presented.

EDA Member Carey made a motion to adopt the 2024 Economic Development Authority Calendar as presented. Motion was seconded by EDA Member Myers. Motion passed (4-to-1 vote); nay vote by EDA Member Tschida.

4.5 Dowdle Services Agreement

Director Larson stated in October, the Dowdle Marketing Team reached out to the City to invite us to participate in their "Land That I Love" tour for America's 250th Birthday, starting in 2026. As a part of that, they're lining up various cities in all of the states who might be interested in participating; so, there's a lot of work to get to 2026. The Dowdle Art Studio Team is passionate about capturing the essence of stories of the cities and places in our country and around the world through the medium of folk art style painting. Some of you may know Eric Dowdle from Magnolia Network, Peacemaker, and some other shows that he has. He has really made a great business out of taking his original art, transforming it into puzzles, and telling a deep story about any city that participates; the understanding of the culture, of the people, how it became a city, and who are the important influencers in your community. This project has two components: There's an original 32" x 40" painting by the artist, Eric Dowdle, and an unveiling of that, and the purchase of 3,000 puzzles, to be sold at events throughout the year, starting June 2024 to June 2025. The cost for the painting and the unveiling event is $75,000, and it's payable in three installments. If this is approved, the first payment is due the week of December 18, 2023, the second is due upon receipt and approval of the concept art agreement, that the painting moving forward with people, places, and events is what we want, so would pay them on March 15, 2024. The third and final payment would be after the delivery of the original painting and the unveiling event, which is going to be on June 13, 2024.

The cost for the puzzles is $37,500; it's payable in two installments. The first payment is due on or before April 1, 2024. So, they get the painting started and going, and then they put in an order for the puzzles, and we wait for the painting to be finished. The second payment is due after the delivery of the puzzles at the unveiling event in June 2024.

The staff discussed with the City Administrator a potential cost recovery model, which is through the sale of the puzzles:

- 500-piece puzzles, #1000, at a retail cost of $24.99=Gross sales of $24,990
- 1,000-piece puzzles, #2000, at a retail cost of $27.99=Gross Sales of $55,980

If all puzzles sold, we would recoup just shy of $81,000 of the total project cost.

As a part of this agreement, the City receives a perpetual license for the use of the images for promotional and marketing purposes. Right now, that's puzzles, but we can think about T-shirts, posters, etc. that may have the art on them. Exhibit B in the agreement is not yet finished; that's the people, places, and things, and we intend to complete that list by December 31, 2023. We started a partial list with the department heads, then it will go to the City staff and all City commissions. It will then come to the City Council for final approval, looking at what has been recommended in each of the three categories. The total cost for the project is $112,500; those funds are available in the ED Trust Fund.

Director Larson stated she'd be happy to answer any questions about the project.

EDA President Bailey stated it's interesting to see on the picture displayed that there are strawberries and it says Grove; that was just a coincidence, as that was another city, but you can kind of see the idea behind this.

EDA Member Tschida stated looking over the contract in our packet, who actually owns the artwork; are we just licensed to use it, and we have to give royalties back to the artist. He wondered how all of that worked.

Director Larson stated we will own the original painting that he paints. He keeps his licensing agreement on his own artwork, but we have a perpetual use of the images. So, we get the painting itself, the giclée when they tell the story and put the puzzle together at the unveiling event, and then we have the perpetual rights to use the images. It is his artwork, and artists never give away their original files; it belongs to him, and it will continue to belong to him. We can use it for anything we want, but once that whole year is over and we've sold all of our puzzles, etc., then it reverts back to his business model, when he puts those puzzles on his website; there are thousands of them on there now.

EDA Member Tschida stated but we can continue to use that image after that year, which Director Larson confirmed. He asked if we can put it on coffee mugs, T-shirts, keychains, etc. because $80,000 doesn't equal $112,000.

Director Larson stated that's correct; we did not recover the entire cost at this point but, obviously, we potentially could with the perpetual licensing agreement.

EDA Member Tschida asked if we knew what other cities have done in the past, if they have recovered this cost through selling puzzles.

Director Larson replied she doesn't think that we know they've recovered every cost associated with it so far, because it's a fairly new project, but most of them reported that they did pretty good with their puzzle sales. So, it's going to be one of those things that she thinks we probably can recover the vast majority of it by the time we use the perpetual license and then eventually more. But, initially, she doesn't think anybody has ever reported that they recovered everything because it's just too new of a program.

EDA Member Tschida stated fair enough.

EDA President Bailey stated the recommendation before us is the number of puzzles that they recommended. If he remembered correctly when we did a virtual call, he actually gave us an example of a city in California that sold all of their puzzles and were waiting for more puzzles because they had a waiting list of people who wanted them. We won't know until we see what the demand is within the City, though it's funny to say when the Cottage Grove Monopoly game was at Walmart, they were selling out of our Cottage Grove Monopoly game; the point is it's something unique and it's something different. Art is also the other thing that our citizens want; they want more opportunity for art and things within the community, so, this came to us and it's actually kind of a neat idea. Plus, we get to use the images when it's all done however we want to use them, on shirts, mugs, whatever.

Director Larson stated we definitely see it as an Economic Development, Marketing, and Tourism initiative as part of our Strategic Plan.

EDA Member Carey asked what was the source of funds; Director Larson replied it was the ED Trust Fund.

EDA Member Carey said he knows this has been covered before, but it isn't taxpayer dollars that funded that; Director Larson stated that's correct. EDA President Bailey also stated that is correct and thanked him for bringing that up. Director Larson stated that's why we're going to try to make a profit.

EDA President Bailey stated maybe for some of the newer Board members, there are two funding sources for the EDA: One is the levy, as was mentioned earlier; the other is a business(es) that provides funding to the City of Cottage Grove for economic development. So, we try to use that money for projects like this or some of these conventions that we go to; he said those are not taxpayer-funded trips but private donations given to the EDA.

Recommendation: By motion, Approve the Professional Services Agreement with Dowdle Art subject in the amount of $112,500 subject to minor modifications related to Exhibit B the must have and nice to have items to be included in the painting.

Motion by EDA Member Myers to Approve the Professional Services Agreement with Dowdle Art subject in the amount of $112,500 subject to minor modifications related to Exhibit B the must have and nice to have items to be included in the painting. Motion was seconded by EDA Member Scott. Motion passed unanimously (5-to-0 vote).

4.6 Trellis Co. Project Memo

Director Larson displayed the site location map on the screen, at 80th Street and 79th Street, across from the library. Trellis is going to build a 52-unit affordable senior housing project on that site, with units at 30% and 60% of the Area Median Income (AMI). Housing at these income levels provides an opportunity for deeply affordable senior housing, which is currently limited in the City. TIF assistance, discussed earlier, was requested, and an analysis showed a funding gap of $185,000. There are costs associated with setting up a TIF District, and because it's only $185,000, we decided to look at some other options. The option that made the most sense under our Business Subsidy Policy was a Forgivable Loan. So, we had the City Attorney draft a Forgivable Loan Agreement that's in your packet. Trellis has already gone through the planning process and before the Planning Commission, and they have the approvals needed to begin construction in 2024; they will close on the property in March.

Director Larson displayed a schematic of what Trellis intends to build, which both the City Council and the EDA Board have previously seen. The agreement also requires that Trellis, or an affiliate thereof, continuously own the property for at least five (5) years, and that they operate the building as an affordable residential development occupied by seniors and/or disabled individuals.

The agreement also requires for a period of 15 years that the annual rent increases for all occupied units, not receiving project-based subsidies, shall not exceed the lower of the maximum allowed under Section 42, administered by the Department of Housing and Urban Development (HUD), or 6% from the previous year's contract rent. That addresses concerns of the City Council and EDA related to rent increases year over year at multifamily complexes that have received TIF.

Director Larson stated Dan Walsh, Vice President of Housing for Trellis, is here. EDA President Bailey invited him to step forward, say hello, and perhaps answer any questions.

Mr. Walsh greeted EDA President Bailey and the Board. He said this project was recently named **Bluestem Apartments**, so the **Bluestem** project is in the home stretch. As Director Larson mentioned, we're working towards closing and beginning construction in March 2024. The request to the City, before you today, closes the funding gap; it will allow us to get to that March closing date. He's happy that the loan includes the cap on rent increases that Mayor Bailey and Council Member Khambata and others raised. It is an important issue and you're all leading the way on it. The project design and concept have not changed since we went through the planning process. We're proud of this building and are excited to become your neighbors for the decades to come. He thanked the EDA for considering this funding request and for supporting this important project.

EDA President Bailey asked if the EDA Members had any questions.

EDA Member Tschida asked the requirement for it being occupied by seniors and disabled individuals is for five years, but the rent control is for 15 years; he asked why is it not the same number.

Director Larson stated the five years is they have to own the building continuously. So, if they sell it to someone, they can't sell for five years, but then all of these things would still apply. The 15 years is just a different time period for the rent control purposes. They're not actually connected; Trellis just has to own it for five years, or someone that is a subsidiary or affiliate of theirs. They could sell it as a senior/disabled housing project, and then the 15 years still applies.

EDA Member Tschida said okay, but it still has to be occupied by seniors and disabled individuals for the entirety of this 15 years; Director Larson confirmed that. She stated it's just that they could sell it, someone else could buy it and operate it.

EDA Member Tschida stated that's fine, he understands that part of it; he just wanted to make sure we're fitting the need we're talking about, which is seniors.

EDA President Bailey stated that's what actually, from the Council's perspective, was so exciting about this project. Compared to some of the other senior affordable projects that we have in Cottage Grove, over the last couple years they've experienced steep increases in rent. We've been at some of these complexes and had some very serious conversations with the building owners and the senior residents. In this case, this is a really nice project, and the rents that were shared with us, for which people have to qualify, were significantly less than many other facilities in Cottage Grove with affordable housing. With all due respect, we didn't want any developer to come in and just say okay, for the first couple of years we'll have rents at this rate, but then after those first couple years, we're going to raise the rents significantly. This isn't what Trellis does, to begin with; they've been very well received by other cities and residents in which they're developing. We just wanted to make sure that this will be a long-term opportunity for those who want to still stay in Cottage Grove and don't have the financial wherewithal, per se, to do that at some of those other rent levels.

Recommendation: By motion, Approve the Forgivable Loan Agreement with Trellis Co. in the amount of $185,000 payable upon building completion and a Certificate of Occupancy being issued.

Motion by EDA Member Scott to approve the Forgivable Loan Agreement with Trellis Co. in the amount of $185,000 payable upon building completion and a Certificate of Occupancy being issued. Motion was seconded by EDA Member Carey. Motion passed unanimously (5-to-0 vote).

4.7 Viewpoint Project

Jennifer Levitt, City Administrator, talked about a unique project and opportunity that we have, the Viewpoint Project. It is a video storytelling service that works with PBS, and it's broadcast in all 50 states. It's hosted by Dennis Quaid, and he tees up a lot of these series and episodes right before some of your PBS shows. One of the things that's unique as we start to think about this is just thinking about the time that we're in, the interest rates, seeing kind of a lull in the residential market, and a little bit of a lull in the industrial market. So, when we start to think about this project, we're thinking about how can we bring Cottage Grove top of mind as we start to market our City to help bolster some of that economic development. So, keep that in the back of your mind as we go through this project.

The Viewpoint team's goal is to provide innovative and unique content featuring the world's most influential organizations and individuals. In your packet, we showcased one of the cities that was in there, looking at building architectural services, hospitals, and universities. At this point, we still need to build our storyline. Within your packet, you saw the questionnaire that staff has to complete; we're still working on that, and we will bring that questionnaire back to you. We would anticipate that we would most likely film in late spring or early summer, when Cottage Grove looks at its best, so keep that in the back of your mind as well.

As part of that storyline, it helps develop, through the work of professional videographers, capture, and then to broadcast to an international audience. From our perspective, we get to project Cottage Grove, what a great place to live, work, and play; she's not saying that's going to be our tagline, but you're going to have 60 million executives viewing it. You're going to have people who have a very high income, over $150.000, so they have means for travel. If you think about it from a marketing standpoint, partnering with our Convention and Visitors Bureau, you get that tourism draw. The executives are the ones who are making decisions where businesses locate, and also where their employees could be located. So, you're getting that marketing boost there.

The video would run for one year on public television, and it would be shown before shows like Nova and Masterpiece Theater. The video would be featured on their website; they also assist us in being able to use their membership as a target audience. So, as we define what our target audience is, maybe its executives related to biotech industry or something like that, we would be able to broadcast to those audiences we're trying to attract, high-paying jobs maybe in the bio industry, into the City of Cottage Grove.

We get specific deliverables as part of this contract: We get a five-to-six minute corporate profile; that's the one that's going to run that educational message in between PBS broadcasting. As she mentioned, we're still developing that storyline. So, one of our key things right now is to think about how well Cottage Grove has been positioned for growth. When you think about the recreational opportunities that we've had, how we've provided for housing, how we set the stage for industrial growth in our infrastructure, that we've been planning it very well. So, how do we tell our story to be able to attract others to our community, not only from a tourism perspective but also with business development. As part of this, they also help us with the interviews, they do the narration, the script writing, video, the graphics, and the music. All of our logo and contact information is featured on there; so, we get that branding as part of it. We also get a one-minute educational video that we can use, and that also broadcasts over a very large network, to over 84 million homes via MSNBC, CNBC, CNN, or other equivalent networks. We anticipate that segment would also air about 400 times on the top of 100 designated marketing areas at peak and primetime networks, such as FOX Business, the Learning Channel, Discovery Channel, those kinds of markets. So, we're getting an extreme amount of exposure where we currently do not have it.

Administrator Levitt stated she thinks coming out of this high interest rate time, we want to use 2024 to position ourselves well; coming out of it into a strong 2025 market is really our hope. We also get that digitized file for our website, social media, and then they'll use that to help us with that email blast to our target audience.

You're probably asking how are we proposing to fund this; so, we're not anticipating to really change our budget for 2024, but just reposition our marketing effort. We would forego a booth at the ICSC convention in Las Vegas in 2024. It would be pretty much an equivalent cost for this project, which is $25,900, plus cameramen travel time and expense of $3,400. We would still send staff to ICSC to maintain our relationships with developers, brokers, and end users. At the end of the day, this would be really be a net zero against the budget that we had proposed for 2024. Just as a reminder, as we talked about with the puzzles, this is the EDA Trust Fund, this is not taxpayer dollars. Administrator Levitt stated she'd be happy to stand for any questions

EDA President Bailey asked if the EDA Board Members had any questions.

EDA Member Scott asked if PBS gives you a schedule of when these are going to be running, do they tell you in advance so that you can see where the segments are. Administrator Levitt replied yes, once they have the final video completed, they can give us the airing schedule.

EDA Member Scott said, so, you don't get to see it beforehand. Administrator Levitt stated we actually have a call with Anthony Davis tomorrow, so we can clarify that.

EDA President Bailey stated chances are, he would assume we would, though, based on some of the initial conversations, that we'd be able to see it because he thought we got to review it to make sure that it's accurate; that's a great question and we'll ask that.

EDA President Bailey said it's something unique, and it's not going to negatively affect our budget. We've had this conversation, and we've been going to ICSC for many years now. Probably for the last four-or-five years now, we've done a booth there; the cost of the booth is what you're seeing here. We thought just to keep it within the budget when this opportunity arose for us, we said we're still going to go to ICSC and market the City. Really, in this particular case, we thought the money could be better spent doing this project vs. having a booth at ICSC. We've been to ICSC with and without booths in the past, so, we'll still be meeting with end users, developers, and such when we go there.

EDA Member Tschida asked what have we seen with other cities who have done this before, have they benefited? He's just curious about what we should expect from this.

Administrator Levitt replied regarding the success rate, it's like any project, even like the puzzles; it's always hard for us to have metrics to be able to track against. For us, it's going to be developing that as part of our own marketing plan, to be able to track inquiries. For example, have we gotten an increased amount of inquiries, and with our tourism, which we determine by Lodging Tax success, are we seeing more occupancy rates in our hotels. So, there's not necessarily always an immediate or direct correlation, but there are metrics that we will be looking at as part of our own marketing plan to be able to track and develop those. We can report those back to you as well.

EDA Member Tschida said okay, but Viewpoint doesn't have any spiel about this has done this to X city or Y city; Administrator Levitt stated they did not share any of those types of details with us.

Recommendation: By motion, Approve the Professional Services Agreement with Viewpoint.

Motion by EDA Member Scott to Approve the Professional Services Agreement with Viewpoint. Motion was seconded by EDA Member Myers. Motion passed unanimously (5-to-0 vote).

5 <u>PUBLIC HEARINGS</u> - None.

<u>OTHER BUSINESS</u>

6.1 EDA Calendar

EDA President Bailey stated the EDA Calendar is before us. Later this week, on Thursday, there is a Chamber Holiday after-hours event at River Oaks for the local Chamber of Commerce. Also, on that day he and Administrator Levitt will be attending the Metropolitan Governance Task Force public engagement in Lake Elmo; this is a task force to discuss what the Metropolitan Council looks like going forward, if its elected or not elected, etc.

6.2 EDA Comments - None.

6.3 Response to Previous EDA Comments - None.

7 WORKSHOP - None.

8 <u>ADJOURNMENT</u>

EDA Member Carey made a motion to adjourn. Motion was seconded by EDA Member Tschida. Motion passed unanimously (5-to-0 vote). The meeting was adjourned at 8:34 a.m.

Respectfully submitted,

Gretchen Larson, Economic Development Director

/jag

Economic Development Authority Action Request

4.1.

Meeting Date	1/9/2024
Department	Economic Development
Agenda Category	Action Item
Title	Beige Book Report
Staff Recommendation	
Budget Implication	
Attachments	None

Cottage Grove
Where Pride and Prosperity Meet

TO: Honorable Mayor and City Council
Jennifer Levitt, City Administrator

FROM: Gretchen Larson, Economic Development Director

DATE: January 9, 2024

RE: Beige Book Report

Discussion

There is no Beige Book report for December 2023. Reports will resume in February 2024.

Recommendation

None

Attachments

None

Economic Development Authority Action Request

4.2.

Meeting Date	1/9/2024
Department	Economic Development
Agenda Category	Action Item
Title	Development Update
Staff Recommendation	
Budget Implication	

Attachments

1.	Development Update 2024-01-09
2.	2023-12 Permit Valuation Report

TO: Economic Development Authority

FROM: Emily Schmitz, Community Development Director

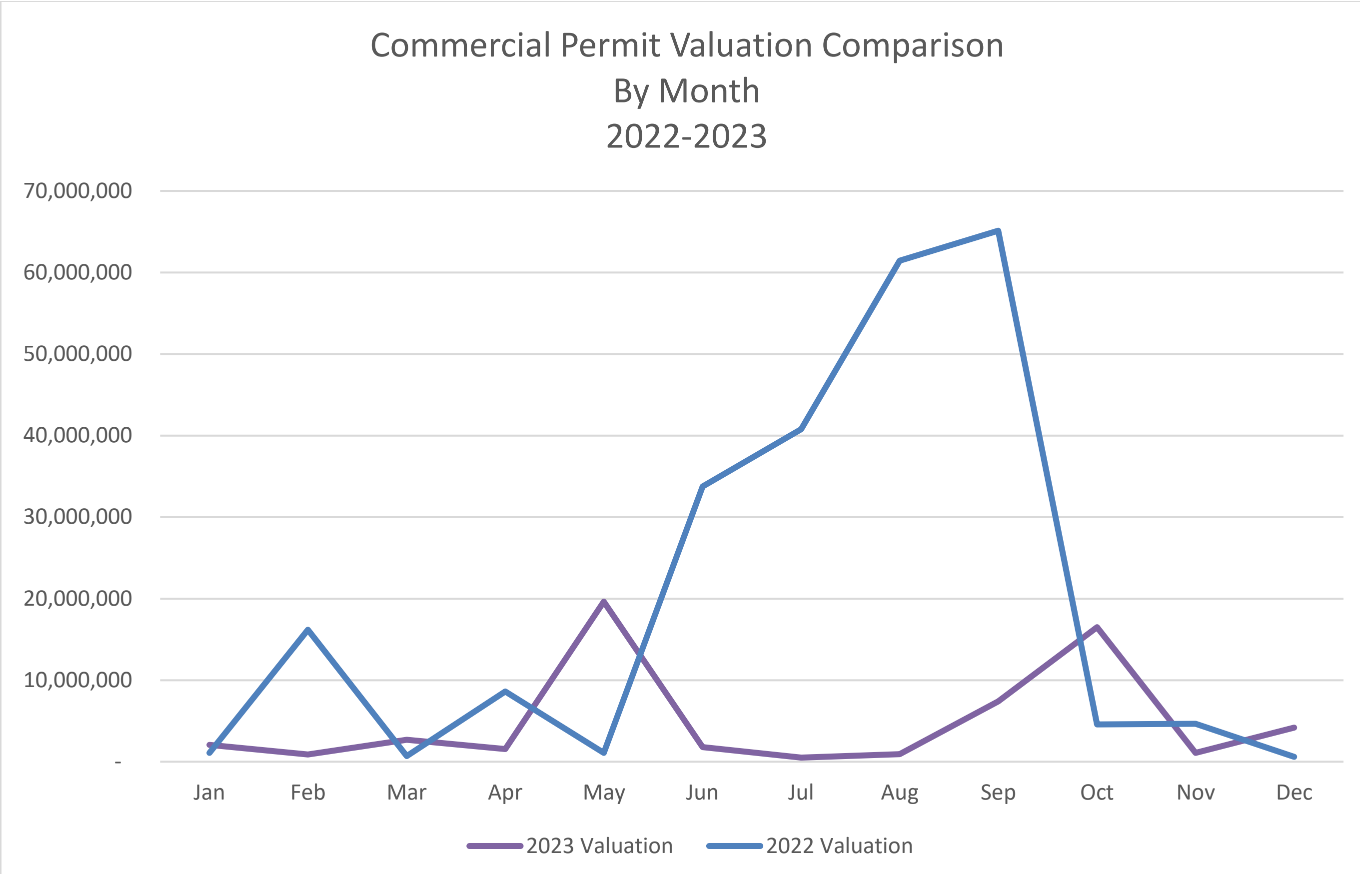
DATE: January 5, 2024

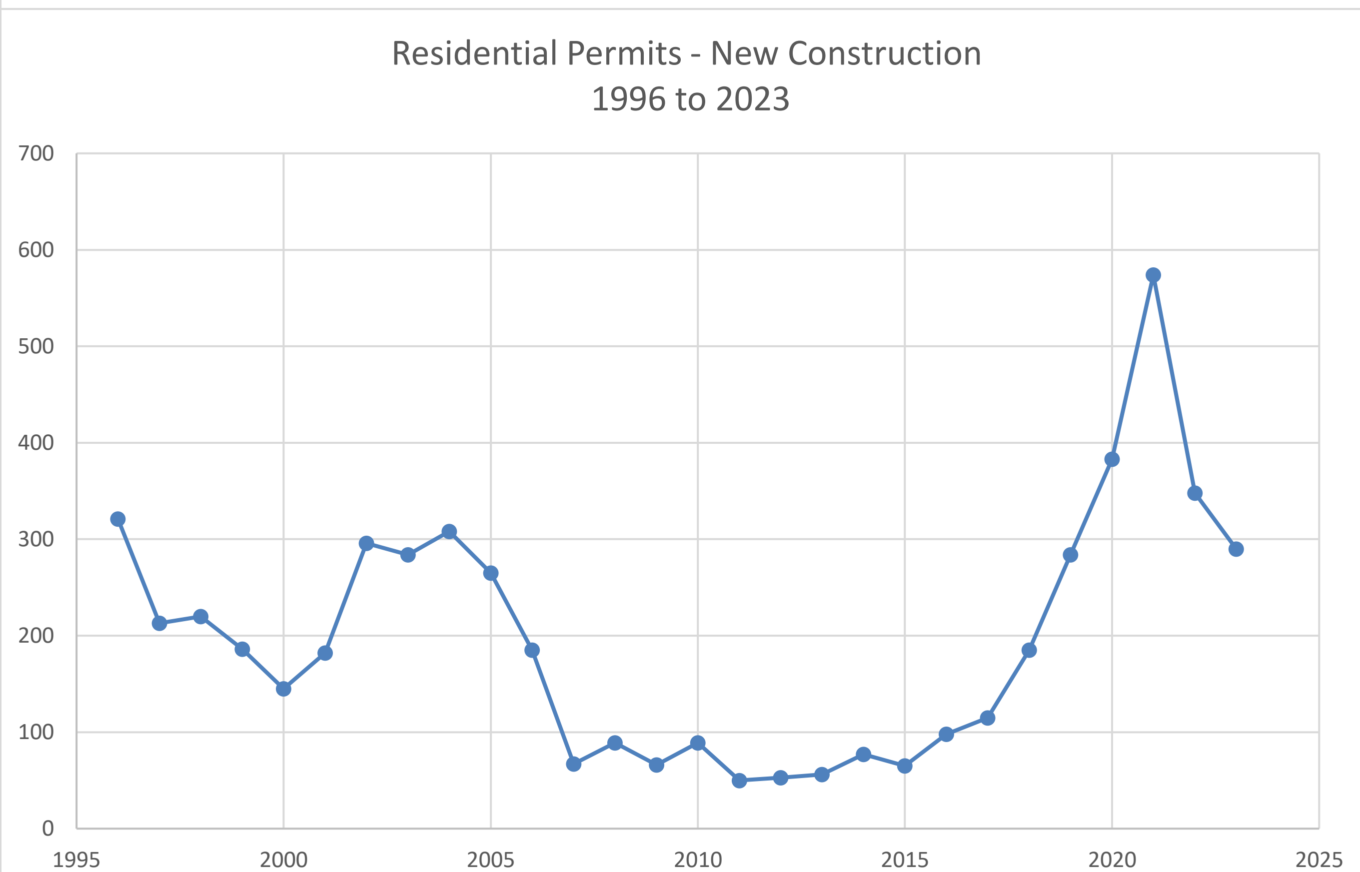
RE: Development Update

Building Permits

Building Permit Statistics:

Building Permit Statistics: Between December 1 and December 31, there were 229 building permits issued with a total valuation of $12,660,286, including 21 single-family homes valued at $7,258,384.


Commercial Permit Valuation Comparison
By Month
2022-2023
70,000,000
60,000,000
50,000,000
40,000,000
30,000,000
20,000,000
10,000,000
-
Jan
Feb
Mar
Apr
May
Jun
Jul
Aug
Sep
Oct
Nov
Dec
2023 Valuation
2022 Valuation


Residential Permits - New Construction
1996 to 2023
700
600
500
400
300
200
100
0
1995
2000
2005
2010
2015
2020
2025

Current Project Updates

<u>Building Construction Projects</u>

<u>Chase Bank:</u> The building permit has been issued for the new bank building project.

<u>O2B Kids:</u> Foundation work has been completed and the framing has begun.

<u>Hemingway Retail Center:</u> Work is nearing completion for the façade improvements.

<u>Dunkin'/Baskin Robbins:</u> Finishing work has begun for the tenant buildout.

The View Apartments: The Temporary Certificate of Occupancy has been issued, with minor punch list items needing to be completed prior to the full CO.

Trellis (Bluestem) Apartments: Plans are under review for a new affordable senior living apartment building to be located at 7601 79th Street South.

Norhart Apartments: Plans have been submitted for the new apartment building to be located at 10251 Hadley Avenue.

RJ Schinner: A Temporary Certificate of Occupancy has been issued.

3M Projects:

- Building #150 – Steel columns and beam work are near completion for the addition project. Process piping and filtration systems are nearing completion. Final inspections will be starting in the next couple of months.
- Building #151 – Installation of process piping continues.
- Construction work continues for all five pump houses as part of Bid Pack #6 (Pump houses and processing piping) and new clarifiers as part of their water treatment processing.
- The first of many demolition permits for the incinerator has been submitted for the removal of the equipment and to tear down the building.

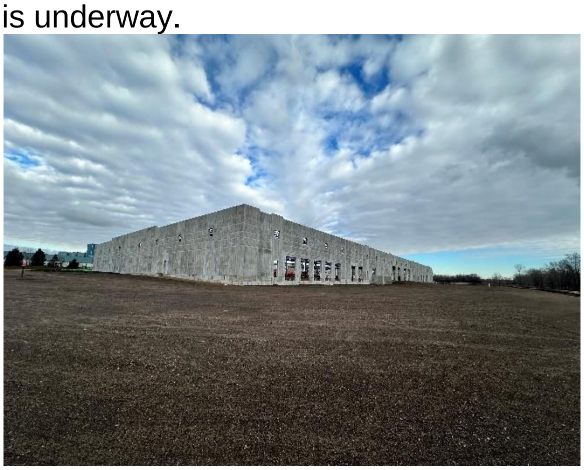
Tradehome Shoes: A Letter of Approval has been issued for the mezzanine and lower-level offices.

<u>Cottage Grove Logistics Park:</u>

- 7601 100th Street – Finishing work has begun for speculative office.
- 7701 100th Street – The office build out is completed but waiting on electrical equipment to finish the project.

<u>Hemingway Industrial Center:</u> Temporary Certificates of Occupancy have been issued for both buildings.

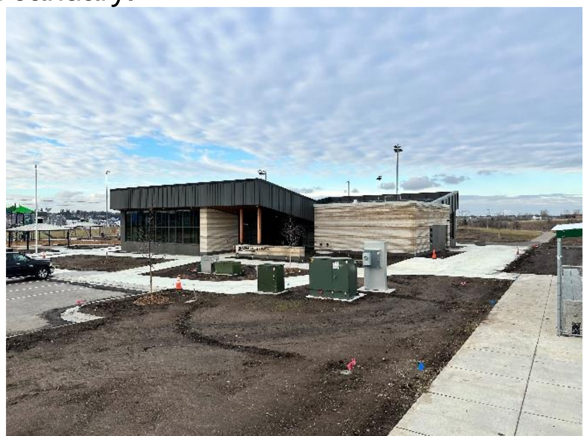
<u>Hohenstein's:</u> The exterior wall panels have been completed. Construction of the roofing steel work is underway.

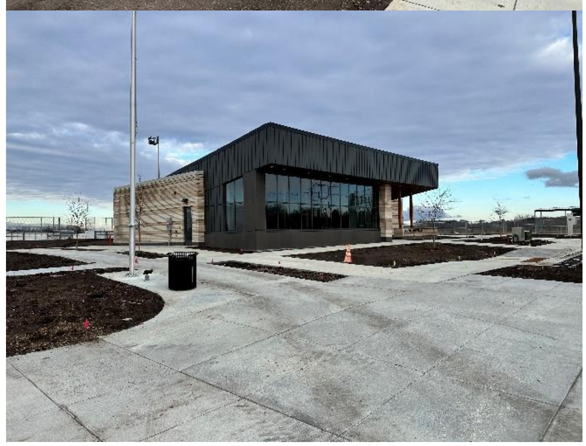


<u>Low Zone Water Treatment Plant:</u> Plans are under review for this city project located at 10901 Ideal Avenue.

<u>Public Works Utility & Engineering Building:</u> Plans have been submitted for a new building to be located at 10875 Ideal Avenue.

<u>Glacial Valley Park:</u> A Temporary of Certificate of Occupancy has been issued, with the final CO inspection to be completed the first week in January.

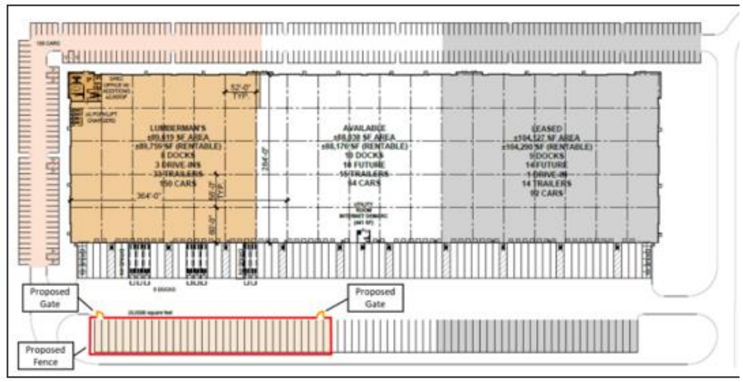


<u>Planning Division</u>

<u>December 18 Planning Commission Meeting:</u>

The Planning Commission met on December 18, 2023, and reviewed the following applications:

<u>Lumbermen's Outdoor Storage:</u> Lumbermen's, Inc., with approval from Northpoint Development, has applied for a Conditional Use Permit to allow for 25,000 square feet of outdoor storage of materials in the southwest semi-trailer parking area at 7601 100th Street South. The Planning Commission held the public hearing and reviewed the application at their meeting on December 18. The Commission had questions about visibility to the outdoor storage area from the proposed five-story apartment building that will be adjacent to this site, if the fence would be removed if this tenant vacates the site, and how materials will be put into the storage area. No public testimony was made during the public hearing. There was an email sent to the Commission, which was entered into the public record, expressing concern about the view of the storage area from the adjacent proposed apartment building. The Planning Commission unanimously (7-to-0 vote) recommended approval. The City Council will take final action at their meeting on January 17.



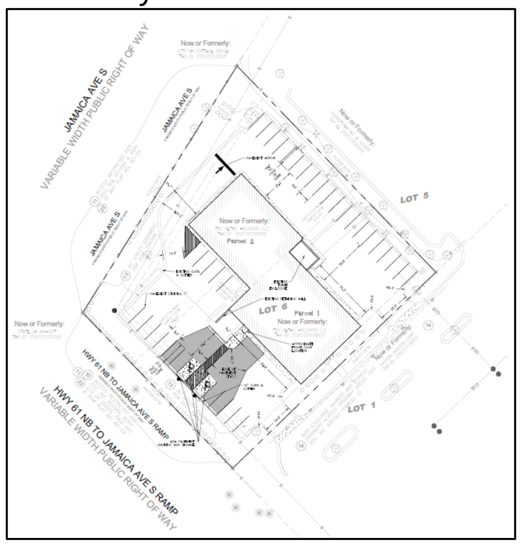
<u>Roers Companies Cottage Grove Apartments:</u> Roers Companies has applied for a Site Plan Review, Planned Unit Development (PUD), and Preliminary Plat for a proposed 144-unit mixed-income apartment building to be located at 6850 East Point Douglas Road. There was no testimony received during the public hearing. The Commission asked about traffic, the pipeline easement, tree replacement, building height, and parking. The Planning Commission, on a unanimous 7-to-0 vote, recommended approval of the applications. Final action on these applications will be taken by the City Council at the January 17 meeting.

<u>January 22, 2024, Planning Commission Meeting</u>

The following applications were received for the January 22, 2024, Planning Commission Meeting:

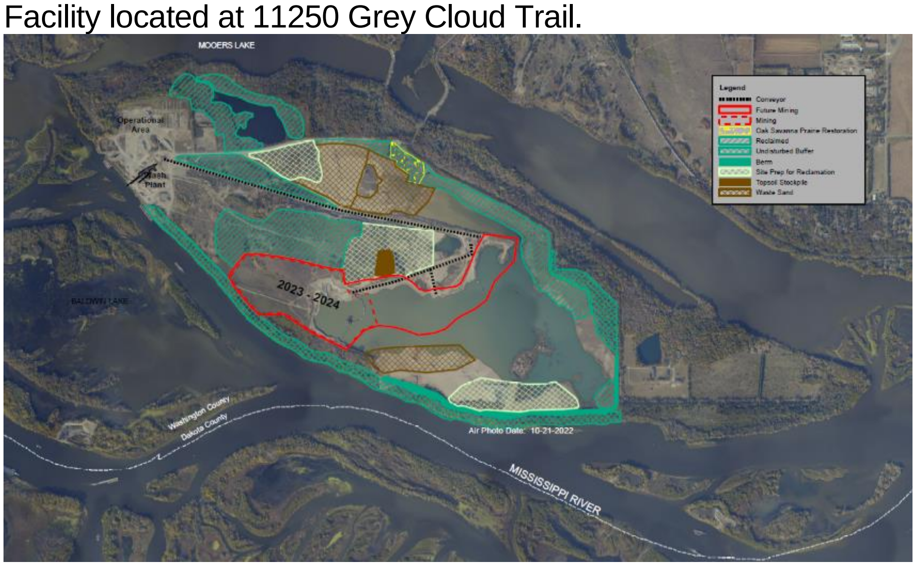
<u>Discount Tire – CUP2024-001:</u> Halle Properties, LLC (Applicant) has submitted an application for a Conditional Use Permit (CUP) at 8647/8649 East Point Douglas Road South. The Applicant is proposing to utilize the existing building and site layout for a minor automobile repair use onsite.

Location Map

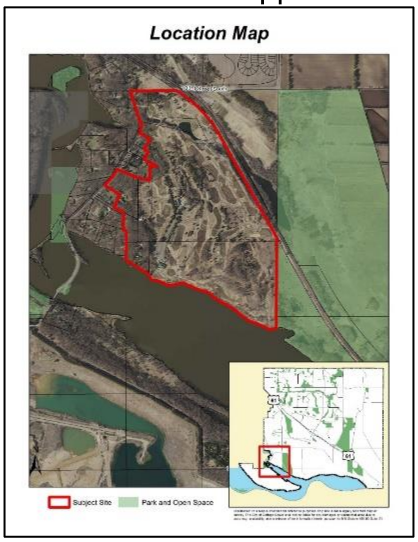


Proposed Site Plan

<u>Holcim Mining Permit – MP2024-002:</u> Holcim MWR, Inc. has submitted their annual mining permit application to continue mining and processing aggregate materials in the Nelson Sand and Gravel Facility located at 11250 Grey Cloud Trail.



Mississippi Landing – PP2024-003: Rachel Development, Inc. has applied for a preliminary plat to be called Mississippi Landing for a subdivision consisting of 377 single-family lots that will be located on the former Mississippi Dunes Golf Course site.

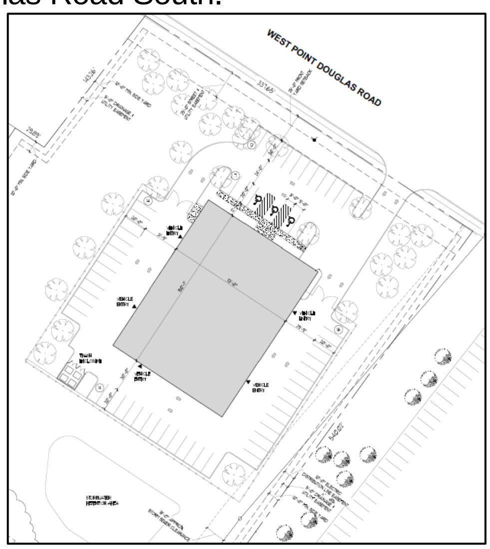


Location Map

Proposed Preliminary Plat

Gerber Collision – SP2024-005 and CUP2024-005: Gerber Collision & Glass, LLC has applied for a Site Plan Review and Conditional Use Permit to construct a 16,940 square foot auto collision and glass repair service at 7300 West Point Douglas Road South.

Location Map



Proposed Site Plan

Building Permits Issued/Valuation
2023

	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	2023
RESIDENTIAL NEW													**Permits**
SFDetached	10	10	22	29	24	13	25	23	27	22	9	21	235
SFDetMfd [replacement unit]	0	0	0	0	0	0	0	0	0	0	0	0	0
SFAttached	0	0	6	0	6	4	3	9	10	9	8	0	55
MultiFamily-Senior Living	0	0	0	0	0	0	0	0	0	0	0	0	0
PERMIT SUBTOTAL	**10**	**10**	**28**	**29**	**30**	**17**	**28**	**32**	**37**	**31**	**17**	**21**	**290**
RESIDENTIAL OTHER													
InteriorFinish/Remodel 1)	14	9	11	11	13	7	8	9	5	9	11	11	118
Addition/Porch	0	0	1	0	1	3	1	3	1	2	1	1	14
Deck/Gazebo	4	1	3	34	29	34	22	11	20	46	4	4	212
Solar	5	5	7	4	13	21	7	5	7	6	5	3	88
ExteriorRemodel 2)	23	22	38	64	78	111	83	170	191	104	76	35	995
Fire Suppression/Protection	0	4	11	0	4	6	0	13	0	0	6	8	52
Shed <200sf	0	0	1	2	11	5	3	3	2	5	1	0	33
Garage/Shed >200sf	0	0	3	0	2	2	2	0	1	1	0	0	11
Mechanical 3)	39	30	48	43	53	62	52	58	38	39	53	34	549
Plumbing	44	34	41	43	45	51	25	33	35	34	41	33	459
Sewer/Water	1	0	4	0	5	4	0	0	1	2	0	0	17
Driveways/ParkingArea	0	0	1	19	23	10	5	5	10	5	0	0	78
Electrical	69	80	124	107	113	173	94	105	134	116	107	52	1,274
Miscellaneous 4)	1	1	3	2	14	8	6	12	9	11	4	3	74
Residential Other	**200**	**186**	**296**	**329**	**404**	**497**	**308**	**427**	**454**	**380**	**309**	**184**	**3,974**
COMMERCIAL/INDUSTRIAL A) B)													
New/Addition	0	0	0	0	1	0	1	0	3	1	0	1	7
ExteriorRemodel	0	0	1	0	0	0	0	7	3	2	2	1	16
InteriorRemodel/Finish	2	2	2	3	3	1	0	5	1	3	2	2	26
Mechanical	0	1	3	2	6	4	0	3	5	6	3	4	37
Plumbing	2	0	3	3	6	4	1	2	7	2	2	1	33
Fire Suppression/Protection	1	3	3	4	8	4	3	1	2	2	0	2	33
Sewer/Water	0	0	4	1	3	1	2	0	4	2	0	0	17
Landscape/Parking	0	0	1	0	0	2	0	1	0	0	0	0	4
Signage	3	0	5	1	1	3	4	1	1	3	3	0	25
Electrical	11	12	16	15	13	14	16	20	15	12	20	8	172
Miscellaneous 5)	3	1	0	2	5	2	0	0	4	1	3	3	24
PERMIT SUBTOTAL	**22**	**19**	**38**	**31**	**46**	**35**	**27**	**40**	**45**	**34**	**35**	**22**	**394**
EDUC/INSTITUTIONAL C)	2	0	0	0	1	0	0	0	0	0	1	0	4
SITE GRADING D)	0	0	0	1	0	1	1	2	3	0	0	2	10
DEMOLITION/MOVING E)	1	0	0	0	0	1	3	1	1	1	1	0	9
PERMIT TOTAL	**235**	**215**	**362**	**390**	**481**	**551**	**367**	**502**	**540**	**446**	**363**	**229**	**4,681**

1)Basements/levels/kitchen/bath,2)Roof/Siding/Windows/Doors 3)HVAC/gaslines 4)Incl. pools/spas, patios, fire/water damage 5)OccupancyReviews,CommAntennas,garden centers,Garages/Sheds

INSPECTIONS	**Jan**	**Feb**	**Mar**	**April**	**May**	**June**	**July**	**Aug**	**Sept**	**Oct**	**Nov**	**Dec**	**YTD**
Construction	810	723	1010	1,066	1,389	1,709	1,517	1,592	1,516	1,469	1,137	884	**14,822**
Property Maintenance	0	0	9	12	29	126	64	81	52	51	36	29	**489**
Rental Properties	35	11	54	138	110	132	18	3	5	13	5	24	**548**
Inspection Total - CG:	845	734	1,073	1,216	1,528	1,967	1,599	1,676	1,573	1,533	1,178	937	**15,859**
Inspection Total - All Cities:	**891**	**812**	**1,155**	**1,288**	**1,597**	**2,019**	**1,644**	**1,698**	**1,597**	**1,543**	**1,216**	**954**	**16,414**

Building Permits Issued/Valuation
2023

Non-Residential:

Notes A-E and special projects. Reference project files for details.

3M Building 115, 10746 Innovation Rd.: Roof (Sept)
3M Building 136, 10746 Innovation Rd.: Insulation (Dec)
3M Building 150, 10746 Innovation Rd.: Fire Suppression (Jan); Fire Suppression (Feb)
3M Building 151, 10746 Innovation Rd.: Fire Suppression (Mar)
3M Building 194, 10746 Innovation Rd.: Plumbing (Jul)
4G LLC Tobacco Shop, 7155 Jorgensen Ln., #120: Certificate of Occupancy (Apr)
81st St. Water Tank-DISH, 8520 81st St.: Antennas (Jan)
American Family Insurance, 8617 E. Pt. Douglas Rd., #180: Mechanical (Nov)
American Logistics Services, 7900 97th St.: Signage (Mar); Fire Suppression (Apr)
American Logistics Services, 7900 W. Pt. Douglas Rd.: Signage (Mar)
Arby's, 7185 E. Pt. Douglas Rd.: Sewer/Water (Apr)
Aurilla Apartments, 7689 Hardwood Ave.: Sewer/Water (Mar); Amenity Deck; Pool; Retaining Walls; Signage (May); Mechanical (Aug)
Basic Needs, 8475 E. Pt. Douglas Rd.: Signage (Jul); Cert of Occupancy (Sept)
Bride & Jewel, 8599 W. Pt. Douglas Rd.: Signage (Jul); Interior Remodel (Aug)
Camp Galilee, 11975 Grey Cloud Tr.: Exterior Remodeling on 6 buildings (Aug)
Chase Bank, 7980 Hardwood Ave.: New Building 3423 sq. ft. (Dec)
Chiro Way, 7750 Harkness Ave., #105: Interior Remodel; Mechanical; Plumbing; Signage (Oct)
Christ Redeemer Church, 8500 Hillside Tr.: Signage (Jun); Trash Enclosure (Sept); Mechanical (Oct); Mechanical (Dec)
City Hall, 12800 Ravine Pkwy: Interior Remodel (Jan); Plumbing (Feb)
Cottage Grove Elementary, 7447 65th St.: Roof (Mar)
Cottage Grove Ice Arena, 8020 80th St.: Solar (Nov)
Cottage Grove Logistics Park Bldg #1, 7601 100th St.: Interior Finish-Office/Warehouse (May); Fire Suppression Suite 100; Mechanical; Plbg (Jun); Tenant Buildout (Sept): Mechanical Suite 900 (Dec)
Cottage Grove Logistics Park Bldg #2, 7701 100th St.: Interior Finish 382,225 sq. ft.; Mechanical (May); Plumbing (Jun); Fire Suppression (Jul)
Cottage Grove Public Works, 8635 W. Pt. Douglas Rd.: Solar Panels (Feb)
Cottage Grove Smiles Dentistry, 7240 E. Pt. Douglas Rd., #150: Tenant Imrpovements (Feb); Plumbing; Sewer/Water (Mar); Mechanical (May); Fire Suppression (Jun); Signage (Jul)
Country Inn & Suites, 8350 E. Pt. Douglas Rd.: Fire Suppression (Dec)
Crossroads Church, 7955 Ivystone Ave.: Roof (Sept)
Cub Foods, 8690 E. Pt. Douglas Rd.: Seasonal Greenhouse (Apr)
Dodge Nature Center, 8946 70th St.: Plumbing (Mar); Fire Suppression (May); Fire Alarm (Jun); Fire Alarm (Jul); 20x60 Pole Barn (Nov)
Dunkin'/Baskin Robbins, 7584 80th St.: Interior Remodel; Mechanical; Plumbing; Signage (Oct); Mechanical (Nov); Interior Demolition (Dec)
Farmers Insurance, 7155 Jorgensen Ln, #100: Signage (Oct)
Gateway Center, 7145 E. Pt. Douglas Rd.: Plumbing (Aug)
Glacial Valley Park, 9900 Ravine Pkwy.: Fire Alarm (Apr); New Building 5,142 sq. ft.; Fire Suppression; Mechanical; Plumbing; Sewer/Water (May); Signage (Nov)
Goodwill, 7375 Hardwood Ct.: Plumbing (Aug)
Grove Ridge Apartments, 8120-8130 E. Pt. Douglas Rd.: Exterior Remodel (Oct); Deck Repairs (Nov)
GTI (Leafline Labs), 8235 97th St.: Sewer/Water (Mar)
Hemingway Industrial Bldg #1, 9700 Hemingway Ave.: Mechanical (Oct)
Hemingway Industrial Bldg #2, 9650 Hemingway Ave.: Mechanical (Oct)
Hemingway Retail, 7584 80th St.: Exterior Remodel (Oct)
High North Dispensary, 8711 E. Pt. Douglas Rd., #108: Tenant Remodel-1,027 sq. ft. (Mar); Signage (Jun)
Historic Furber Farm, 7310 Lamar Ave.: Pergola (Jan)
Hohenstein's, 8301 95th St.: New Building 140,762 sq. ft. (Oct)
Home Choice, 6990 80th St., #120: Signage (Mar); Tenant Remodel 4,950 sq. ft. (Apr); Fire Suppression; Mechanical; Plumbing (May)
Hope Glen Farm, 10276 E. Pt. Douglas Rd.: Plumbing (Apr)
HyVee, 7280 E. Pt. Douglas Rd.: Interior Remodel (Nov)
Integrity Dental, 7500 80th St., #200: Interior Remodel (Jan)
Jersey Mike's Subs, 8800 E. Pt. Douglas Rd., #800: Tenant Remodel-1,847 sq. ft.; Fire Suppression; Mechanical (Mar); Signage (Apr); Fire Suppression; Plumbing (May)

Building Permits Issued/Valuation
2023

	January	February	March	April	May	June	July	August	September	October	November	December	2023
RESIDENTIAL NEW													
SFDetached	4,350,419	3,805,568	8,561,418	10,684,124	9,266,796	4,764,487	8,584,971	8,330,622	9,427,165	8,055,861	3,048,740	7,258,384	86,138,555
SFDetMfd [replacement]	0	0	0	0	0	0	0	0	0	0	0	0	0
SFAttached	0	0	1,318,582	0	1,318,582	1,055,572	1,073,685	2,132,101	2,756,882	2,188,899	2,174,913	0	14,019,216
MultiFamily-Senior Living	0	0	0	0	0	0	0	0	0	0	0	0	0
PERMIT SUBTOTAL:	**4,350,419**	**3,805,568**	**9,880,000**	**10,684,124**	**10,585,378**	**5,820,059**	**9,658,656**	**10,462,723**	**12,184,047**	**10,244,760**	**5,223,653**	**7,258,384**	**100,157,771**
RESIDENTIAL OTHER													
InteriorFinish	307,280	203,041	543,734	303,442	378,520	207,300	179,900	261,475	127,640	224,260	226,356	276,680	3,239,628
Addition/Porch	0	0	19,500	0	13,520	232,742	102,574	49,348	48,984	22,991	32,588	47,655	569,902
Deck/Gazebo	13,300	9,600	37,880	371,045	340,515	413,960	234,070	142,520	171,208	179,466	49,200	33,796	1,996,560
Solar	37,500	84,012	96,463	60,250	119,424	205,733	59,628	52,749	101,395	75,047	62,987	30,975	986,163
ExteriorRemodel	349,044	330,756	657,948	1,108,085	1,416,793	1,821,364	1,317,417	2,086,441	2,138,546	1,691,363	1,150,426	498,674	14,566,857
Fire Suppression/Protect.	0	14,952	44,653	0	17,464	21,666	0	54,196	0	0	21,666	32,980	207,577
Shed <200sf	0	0	0	11,600	61,271	12,000	7,700	6,000	4,000	28,400	500	0	131,471
Garage/Shed >200sf	0	0	77,065	0	54,700	97,897	56,471	0	129,777	57,960	0	0	473,870
Mechanical	230,479	251,330	361,669	270,083	354,360	437,837	355,672	394,939	288,023	274,460	338,221	174,811	3,731,884
Plumbing	98,786	126,099	91,814	107,858	109,850	149,477	61,416	109,953	101,750	115,455	153,642	110,797	1,336,897
Sewer/Water	7,106	0	19,375	0	4,669	29,940	0	0	10,770	14,065	0	0	85,925
Driveways/ParkingArea	0	0	9,100	180,793	241,287	77,858	40,870	42,983	80,900	33,677	0	0	707,468
Electrical	0	0	0	0	0	0	0	0	0	0	0	0	0
Miscellaneous	9,300	15,000	16,206	10,000	500,522	126,245	364,520	437,748	142,110	73,357	367,875	21,790	2,084,673
PERMIT SUBTOTAL:	**1,052,795**	**1,034,790**	**1,975,407**	**2,423,156**	**3,612,895**	**3,834,019**	**2,780,238**	**3,638,352**	**3,345,103**	**2,790,501**	**2,403,461**	**1,228,158**	**30,118,875**
COMMERCIAL/INDUSTRIAL A) B)													
New/Addition	0	0	0	0	9,912,200	0	70,000	0	5,113,010	14,390,000	0	3,500,000	32,985,210
ExteriorRemodel	0	0	1,903,000	0	0	0	0	332,407	87,246	938,823	59,000	26,000	3,346,476
InteriorRemodel/Finish	167,455	727,707	183,415	787,200	1,754,000	660,000	0	429,000	280,000	301,000	149,000	103,000	5,541,777
Mechanical	0	7,500	96,075	37,377	816,126	236,135	0	16,478	389,185	67,860	80,054	43,245	1,790,035
Plumbing	41,500	0	67,235	317,350	292,500	321,062	104,091	9,100	412,400	40,900	73,000	500	1,679,638
Fire Suppression/Protect	332,364	105,984	262,765	76,721	368,500	37,965	11,715	7,500	31,962	19,700	0	10,000	1,265,176
Sewer/Water	0	0	46,150	500	1,897,969	1,300	2,000	0	11,000	5,000	0	0	1,963,919
Landscape/Parking	0	0	40,000	0	0	63,460	0	75,600	0	0	0	0	179,060
Signage	6,846	0	99,268	15,000	30,629	14,710	18,017	0	17,586	45,126	25,125	0	272,307
Electrical	0	0	0	0	0	0	0	0	0	0	0	0	0
Miscellaneous	65,000	43,000	0	4,500	865,933	7,650	0	0	5,000	200,000	292,294	344,000	1,827,377
PERMIT SUBTOTAL:	**613,165**	**884,191**	**2,697,908**	**1,238,648**	**15,937,857**	**1,342,282**	**205,823**	**870,085**	**6,347,389**	**16,008,409**	**678,473**	**4,026,745**	**50,850,975**
EDUC/INSTITUTION C)	1,444,000	0	0	0	3,688,487	0	0	0	0	0	295,496	0	5,427,983
SITE GRADING D)	0	0	0	319,000	0	400,000	250,000	52,290	1,017,758	0	0	147,000	2,186,048
Demolition/Moving E)	0	0	0	0	0	60,000	44,000	19,000	28,750	478,000	110,000	0	739,750
Valuation Total:	**7,460,379**	**5,724,549**	**14,553,315**	**14,664,928**	**33,824,617**	**11,456,360**	**12,938,717**	**15,042,450**	**22,923,047**	**29,521,670**	**8,711,083**	**12,660,287**	**189,481,402**

Contract Inspections	**Jan**	**Feb**	**Mar**	**April**	**May**	**June**	**July**	**Aug**	**Sept**	**Oct**	**Nov**	**Dec**	**YTD**
Denmark Township	10	29	5	11	13	14	2	2	4	4	0	0	**94**
Newport	11	17	39	37	39	15	29	16	16	3	35	11	**268**
St. Paul Park - Building	23	32	38	23	17	23	14	4	4	1	3	6	**188**
Grey Cloud Island Twnp	2	0	0	1	0	0	0	0	0	2	0	0	**5**
Inspections Total:	**46**	**78**	**82**	**72**	**69**	**52**	**45**	**22**	**24**	**10**	**38**	**17**	**555**

Building Permits Issued/Valuation
2023

Non-Residential: (continued from previous page)

Notes A-E and special projects. Reference project files for details.

Las Margarita's, 7165 E. Pt. Douglas Rd.: Plumbing (Nov)
Lumberman's, 7601 100th St.: Fire Suppression (Dec)
New Life Evangelical Church, 11245 Pt. Douglas Dr.: Parking Lot (Aug)
O2B Kids, 7781 Hardwood Ave.: New Building 10,910 sq. ft.(Sept); Retaining Wall; Plumbing (Nov)
O'Rielly Auto Parts, 8401 E. Pt. Douglas Rd.: Parking Lot (Mar)
Papa Murphy's, 8471 E. Pt. Douglas Rd.: Mechanical (Mar)
Park High School, 8040 80th St.: Interior Remodel; Mechanical (Aug)
Pine Arbor Dental Care, 6939 Pine Arbor Dr.: Signage (Jun)
Pine Harbor Christian Academy, 11125 W. Pt. Douglas Rd.: Fire Alarm (Feb); Breezeway to Harbor Church 436 sq. ft.; Fire Alarm (Jul)
Pine Hill Elementary School, 9015 Hadley Ave.: Interior Remodel; Mechanical (Aug)
Pizza Ranch, 7855 Harkness Ave.: Fire Alarm (Feb); Signage (Mar); Fire Suppression (Apr)
Point Douglas Business Center, 8700 E. Pt. Douglas Rd.: Parking Lot (Jun)
Point Douglas Business Center, 8811 92nd St.: Parking Lot (Jun)
Releaf Smoke Shop, 7155 80th St., #150: Tenant Remodel (Apr); Certificate of Occupancy (May)
Renewal by Andersen, 8100 100th St.: Interior Finish 13,572 sq. ft.; Pallet Racking; Fire Suppression; Mechanical; Sewer/Water (May)
Renewal by Andersen, 9900 Jamaica Ave.: Fire Alarm (May); Plumbing (Jun)
Rise, 8619 W. Pt. Douglas Rd., #150: Interior Remodel; Fire Suppression (Oct)
RJ Schinner, 7530 91st St.: New Building 124,771 sq. ft.; Fire Suppression (May); Mechanical; Plumbing (Jun); Fire Alarm (Sept); Pallet Racks (Oct); Signage (Nov)
Rose of Sharon, 6875 Jamaica Ave.: Mechanical (May); Shade Structure 240 sq. ft. (Jun)
Sally Beauty, 8711 E. Pt. Douglas Rd.: Signage (Jan)
Sherwin-Williams, 7430 E. Pt. Douglas Rd.: Mechanical (Mar)
State Farm Insurance, 11825 W. Pt. Douglas Rd.: Signage (Mar)
Summer Spa, 8471 E. Pt. Douglas Rd.: Interior Remodel 1020 sq. ft.; Signage (Nov); Mechanical, Plumbing (Dec)
Target, 8655 E. Pt. Douglas Rd.: Plumbing (Jan); Bathroom Remodel (Feb); Mechanical (Oct)
The Alley Church, 8944 Indahl Ave.: Roof (Nov); Siding (Dec)
The Healing Place, 8617 W. Pt. Douglas Rd.: Interior Remodel (Dec)
The Little Village, 7750 Harkness Ave.: Signage (Jan)
The View, 7675 Hardwood Ave.: Fire Suppression (Mar); Plumbing (Apr); Fire Alarm (May); Sewer & Water (Jul)
The Woodlands Apartments, 7834 Hearthside Ave.: Plumbing (Mar)
Tradehome Shoes, 8300 97th St.: Mechanical (Apr); Interior Remodel (Aug); Fire Suppression (Oct)
Trailblazer Rood Co., 7009 Jorgensen Ln.: Certificate of Occupancy (Dec)
Ulta Beauty, 7210 E. Pt. Douglas Rd., #200: Vanilla Shell; Mechanical; Plumbing (Apr); Plumbing (May); Interior Finish 10,492 sf; Fire Suppression; Mechanical (Jun); Signage (Jul); Fire Alarm; Signage (Aug)
Up North Plastics, 9480 Jamaica Ave.: Exterior Remodel (Aug); Fire Suppression (Sept)
Walmart, 9300 E. Pt. Douglas Rd.: Fireworks Tent (Jun)
Well House #2, 8780 Grenadier Ave.: New Water Treatment Building (Jan); Plumbing (May)
Well House #7, 8400 Foothill Rd.: New Water Treatment Building (Jan); Plumbing (May)
West Draw Park, 7050 Meadow Grass Ave.: Park Shelter Structure (Sept)
Whole Health Chiropractic, 8617 W. Pt. Douglas Rd.: Signage (Jan)
Zywiec's Landscape & Garden Center, 10900 E. Pt. Douglas Rd.: Roof (Nov)

D.Grading:	RJ Schinner, 7530 91st St. Alc. (Apr); Graymount Village (Jun); Ravine Crossing (Jul); Flint Hills Resourses, 6603 Hadley Ave. (Dec); Chase Bank, 7980 Hardwood Ave. (Dec)
E. Demolition/Move:	8200 63rd St.-Interior Only convert to sales office (Jan); 7473 96th St.-Roof & Upper level (Jun); 6008 Inskip Ave.-Fire Damage (Jul); 11500 Grey Cloud Tr. (Sept) 3M, 10746 Innovation Rd. - Hazardous Waste Tanks (Oct); 3M Bldgs #136 & #77-Catwalk Structure (Nov)

Economic Development Authority Action Request

4.2.

Meeting Date	1/9/2024
Department	Economic Development
Agenda Category	Action Item
Title	TIF District Plan and Establishment of TIF (No. 1-21) for Roers Cottage Grove Apartments, LLC

Staff Recommendation

A. Adopt Resolution 2024-01 approving a modification to the Development program for Development District No. 1 and adopting a Tax Increment Financing Plan for Tax Increment Financing District No. 1-21 (Roers).
B. Approve Resolution 2024-02 authorizing an interfund loan for advance of certain costs in connection with Tax Increment Financing District No.1-21 (Roers).
C. Authorize the contract for private development by and between the Cottage Grove Economic Development Authority and Roers Cottage Grove Apartments, LLC.

Budget Implication

Attachments

TIF Analysis Memo (Ehlers)
Planning Commission Staff Report, December 18, 2023
Resolution 2024-01 approving a modification to Development Program for Development District No. 1 and adopting a Tax Increment Financing Plan and Tax Increment Financing District No. 1-21 (Roers)
Resolution 2024-02 authorizing an interfund loan for advance of certain costs in connection with Tax Increment Financing District No.1-21 (Roers).
Contract for private development by and between the Cottage Grove Economic Development Authority and Roers Cottage Grove Apartments, LLC.

Cottage Grove
Where Pride and Prosperity Meet

TO: President Bailey and Members of the Economic Development Authority
Jennifer Levitt, EDA Executive Director

FROM: Gretchen Larson, Economic Development Director

DATE: January 5, 2024

RE: TIF District Plan and Establishment of TIF (No. 1-21) for Roers Cottage Grove Apartments, LLC

Background

The City of Cottage Grove received a public financial assistance request from Roers Development (the "Developer") seeking tax increment financing (TIF) for their proposed development at 6850 East Point Douglass Rd South. The Developer originally proposed to construct a 144-unit, mixed-income, multi-family apartment project with 20% of the units at 50% AMI. The developer presented the project to the City Council at a workshop session on October 18, 2023 and based on the desire of the city to have more affordability, the affordability in the project was increased to include eight 60%AMI units, along some naturally affordable 70% AMI and 80% AMI units.

Because the city council wanted more affordability, the city's financial consultant at Ehlers then conducted a revised analysis based on a revised proforma. The results of the second analysis concluded that, with the new affordability requirements, that TIF assistance for no more than 15 years, with a present value of $1.96 million, is warranted. The revised financial analysis from Ehlers is attached for review.

On December 18 the Planning Commission approved the proposed project subject to certain conditions as outlined in the attached project memo as presented by the city planning staff.

TIF Plan and TIF District Creation

The proposed TIF plan modifies the development program of Development District No. 1 and establishes TIF District 1-21 (Roers, a housing district).

To complete the process of establishing the TIF district at the January 9, 2024 EDA meeting, the EDA requests the City Council hold a public hearing on the proposed modification to the development program for Development District No. 1 and the proposed establishment of Tax Increment Financing District No. 1-21 at their January 17, 2024 city council meeting.

Interfund Loan

The creation of Tax Increment Financing District No. 1-21 gives the EDA authorization to use tax increment to pay for certain costs identified collectively in the TIF Plan as qualified costs, which may be financed on a temporary basis from EDA funds available for such purposes.

Qualified costs include site improvements/preparation, public utilities, other qualifying improvements, interest and administrative costs.

The resolution authorizing an interfund loan allows for up to $25,000 from the EDA's "EDA Fund" to be transferred to its TIF Fund to pay for a portion of those qualified costs. As TIF is generated and received, the EDA Fund is repaid and the interfund loan fund is retired. The interfund loan is required so that the EDA is made whole from future TIF payments for the project.

Development Agreement

A Contract for Private Development is the formal contract between the City of Cottage Grove EDA and Roers Cottage Grove Apartments, LLC that defines the terms, agreements, improvements and restrictions that must be made by Roers Cottage Grove Apartments, LLC in order to receive annual distributions of tax increment over fifteen years, totaling a present value of $1.96M in financial assistance. It includes a lookback provision as outlined in the attached memo from Ehlers. If either party breaks the agreement at any time, the agreement sets the process for default.

The agreement also includes the sale of Outlot A to the developer for $28,000. The sale of the city owned property requires a public hearing to be held and that public hearing will be held on January 17 at the regular city council meeting. Outlot C and D, which are city owned stormwater ponds, are proposed to be deeded to the developer.

Recommendation

By motion:

A. Adopt Resolution 2024-01 approving a modification to the Development program for Development District No. 1 and adopting a Tax Increment Financing Plan for Tax Increment Financing District No. 1-21 (Roers).
B. Approve Resolution 2024-02 authorizing an interfund loan for advance of certain costs in connection with Tax Increment Financing District No.1-21 (Roers).
C. Authorize the contract for private development by and between the Cottage Grove Economic Development Authority and Roers Cottage Grove Apartments, LLC.

Attachments

TIF Analysis Memo (Ehlers)
Planning Commission Staff Report, December 18, 2023
Resolution 2024-01 approving a modification to Development Program for Development District No. 1 and adopting a Tax Increment Financing Plan and Tax Increment Financing District No. 1-21 (Roers)
Resolution 2024-02 authorizing an interfund loan for advance of certain costs in connection with Tax Increment Financing District No.1-21 (Roers).
Contract for private development by and between the Cottage Grove Economic Development Authority and Roers Cottage Grove Apartments, LLC.

MEMORANDUM

TO: Gretchen Larson – Economic Development Director
FROM: Schane Rudlang & Stacie Kvilvang – Ehlers
DATE: January 4, 2024
SUBJECT: Roers Workforce Housing Development – Final Analysis of Financial Request

The City of Cottage Grove received a public financial assistance request from Roers Development (the "Developer") seeking tax increment financing (TIF) for their proposed redevelopment of 6850 East Point Douglass Rd South. The Developer originally proposed to construct a 144-unit, mixed-income, multi-family apartment project with 20% of the units at 50% AMI. On October 18, 2023, the developer presented the project to the City and based on that discussion, the affordability in the project was increased to include 60% AMI units also, as shown in the table below.

Unit Mix				
	Market Rate	60% AMI	50% AMI	Total
Studio	10			10
1BR	38	2	11	51
1BR+Den	10			10
2BR	38	3	10	51
3BR	11	3	8	22
Total	107	8	29	144
	74.3%	5.6%	20.1%	

Construction would commence in 2024 and is anticipated to cost approximately $43.6 million or $302,800 per unit. The Developer cited a financial gap in their financial projections for the project ("proforma") and requested 26 years of TIF at a present value they estimated at $3.4 million.

Financial Analysis

Ehlers undertook a review of the project to determine how much assistance would be warranted. The review included comparison to industry standards for construction, land, overall project costs, market rate and affordable rents, operating expenses, developer fees, underwriting and financing criteria, return on investment, and the cost of providing the affordable units.

Developers use different return on investment metrics, based on the requirements of the type of debt and equity and the returns sought by those investors. This Developer is primarily using Yield on Cost, which is common in the industry. Yield on Cost is calculated by dividing the project's annual net operating income by the total development costs (less any grants). The Developer is targeting a stabilized Yield-on-Cost return of 6%, which is at the low end of the range of projects being completed in the market today.

Based on a review of the current budget, proforma, investment returns (focusing on Yield on Cost), tax increment projections, and considering the additional affordability that the City requested on the October 18, 2023 meeting, the project needs $1.96M in TIF assistance to be financeable. The sources and uses with that TIF commitment are shown below.

SOURCES	Amount	Pct.	Per Unit
First Mortgage	20,866,064	48%	144,903
TIF Note	1,960,000	4%	13,611
Equity	20,783,381	48%	144,329
TOTAL SOURCES	**43,609,445**	**100%**	**302,843**

USES	Amount	Pct.	Per Unit
Acquisition Costs	1,318,000	3%	9,153
Construction Costs	33,563,856	77%	233,082
Contractor Fee	144,000	0%	1,000
Professional Services	1,529,800	4%	10,624
Financing Costs	4,053,119	9%	28,147
Developer Fee	2,586,101	6%	17,959
Cash Accounts/Escrows/Reserves	414,569	1%	2,879
TOTAL USES	**43,609,445**	**100%**	**302,843**

Lookback Provisions

Lookbacks are financial reviews after the project is built to ensure the TIF assistance was set at an appropriate level. They require the TIF assistance (TIF Note Principal) to be adjusted if the lookback determines that more assistance was provided than necessary. Lookback provisions have been negotiated with the developer for this project which include reviews as follows:

(1) Total development costs upon certificate of occupancy - dollar for dollar reduction in TIF assistance if actual costs are below current estimates,
(2) Stabilized Yield on Cost returns – 50% reduction in TIF for Yield on Cost above threshold, and
(3) Event of Sale - 50% reduction in TIF for Yield on Cost above threshold.

Recommendation

Based on our review of the Developer's proforma and under current market conditions, the proposed development may not reasonably be expected to occur solely through private investment within the near future. We conclude that no more than 15 years of TIF assistance with a present value of $1.96 million is warranted. The assistance amount should be verified with the lookback provisions in the section above.

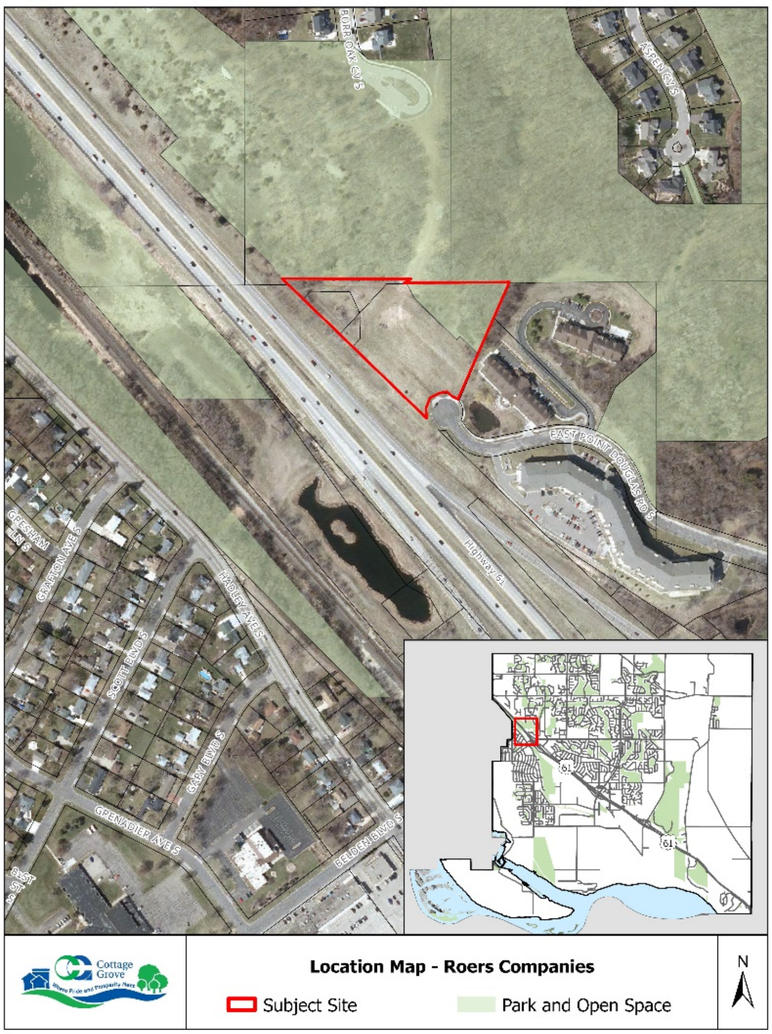
These recommendations are included in the draft development agreement for consideration by the EDA on January 9, 2024.

Please contact either of us at 651-697-8500 with any questions.

Planning Staff Report
Roers Companies Cottage Grove Multi-Family
Preliminary Plat, Site Plan Review, and Planned Unit Development
Planning Case No. PP/SP/PUD2023-020
December 18, 2023

Proposal

Roers Companies has submitted a planning application for a Preliminary Plat, Site Plan Review, and Planned Unit Development (PUD), for a proposed 144-unit mixed income apartment building to be located at 6850 East Point Douglas Road.



Location Map

Review Schedule
Application Received: November 16, 2023
Application Accepted: November 16, 2023
Planning Commission Meeting: December 18, 2023
Tentative City Council Meeting: January 17, 2024
120-Day Review Deadline: March 15, 2024

Background

The subject site consists of two remaining vacant parcels and three outlots from the Frattalone's Southpoint Ridge plat that was approved in 2007. The site was previously zoned B-1 and was included in the Southpoint Ridge Planned Development Overlay District (PDO). However, this zoning was inconsistent with the land use plan in the City's 2040 Comprehensive Plan and as part of the 2022 Zoning Code update, the PDO/PUD overlay districts were removed from the code, and the site was rezoned to Mixed Use. The site has had previous development proposals over the years; however, given the challenges to the site, none of them have come to fruition.

Site Conditions

The site is generally flat through the middle but increases in elevation on the northern sections of the site towards Camel's Hump Park. Outlots C and D are currently owned by the City and contain an existing stormwater pond that was constructed for future development of the subject parcels (Lots 3 and 4). Outlot A is a wooded hillside that was deeded to the city as undevelopable land. The developer, at the time of platting and deeding of the outlot, did not receive any credit for park land dedication for Outlot A. As part of the approval process in 2006, a trail easement was established on the southeastern border of the property to provide access from East Point Douglas Road to Camel's Hump Park. Since that time, the City has installed a gravel walking surface that leads from East Point Douglas Road to a natural trail through Outlot A that proceeds up the hillside to the Camel's Hump Park overlook.

The subject site is significantly encumbered by a Flint Hills Resources oil pipeline easement that runs through the middle of the site. Flint Hills Resources limits what kind of construction and grading can occur within their easement; therefore, the Applicant has been working with the pipeline owner to ensure compliance with their standards and regulations. As a condition of approval, the Applicant shall provide written approvals from the pipeline owner permitting grading and construction within the easement.

Planning Considerations

Use

The Applicant is proposing a mixed-income apartment building consisting of 144 units. The proposed apartment will include 20 percent, or 29 units, being reserved for persons with incomes at 50 percent of the area median income (AMI) or $43,500 annually. The Department of Housing and Urban Development (HUD) sets income limits that determine eligibility for assisted housing programs. The remainder of the units would be set at or near market rate.

2023 Income limits by household size: Washington County		
AMI	1 Persons	Family (4 Persons)
50%	$43,500	$62,100
2023 HUD maximum gross rents by bedroom size: Washington County		
AMI	1 Bedroom	3 Bedroom
50%	$1,087	$1,615

There is a high demand for the proposed affordable housing provided by the project due to a limited availability of deep affordability in the area. The unit types proposed include studios to three bedrooms. The location is ideally situated for the planned affordable project given its proximity to the following:

- Gateway North Shopping Center (grocery, restaurant, services, etc.)
- Park Grove Library
- Camels Hump Park
- Access to transit options

The proposed amenities include a fitness center, game room, community room, heated garage, and bike repair station, and all units will include market rate finishes. The proposed development will also include a large outdoor amenity courtyard with a patio, grilling stations, firepit lounge, dog run/wash station, playground/tot lot, and open outdoor lawn for activities.

Exterior Amenities

Comprehensive Plan

As part of the comprehensive planning process, state law requires cities in the seven-county metropolitan area to include standards, plans, and programs for providing adequate housing opportunities to meet existing and projected local and regional housing needs. One of the primary goals in the Cottage Grove 2040 Comprehensive Plan is to provide a diverse mix of housing types that are needed to serve all income levels and stages in the life cycle. The proposed development fulfils this goal as it provides a deeply affordable housing option for the community. The proposed project also meets the following additional goals and policies found in the Comprehensive Plan.

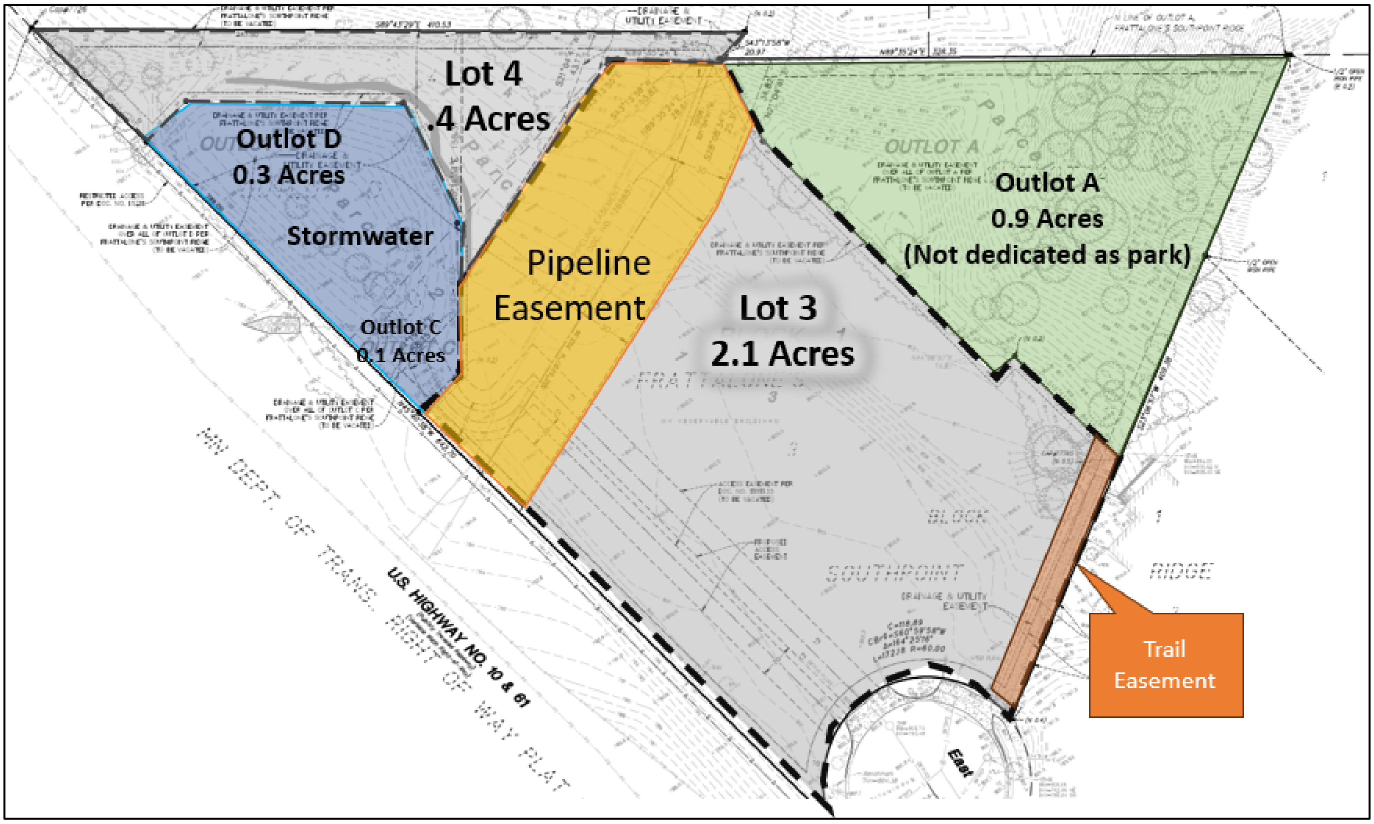
- The proposed development provides residential housing near economic centers.
- The proposed development provides opportunities for alternative housing types that increase density and is responsive to the site and surrounding areas.
- Encourage the infilling of housing in urban areas that make more efficient use of existing infrastructure.
- Provide opportunities for alternative housing types and patterns, such as planned unit developments, mixed-uses, and other techniques that reduce development costs, increase density, and achieve projects that are flexible and responsive to the site and surroundings.
- The proposed project assists the city in meeting its Metropolitan Council goal of providing 221 new affordable units at 50 percent AMI.

Land Use and Zoning

The 2040 Comprehensive Plan Land Use Plan guides the subject site as Mixed Use. The permitted density in this district is 20 to 40 units per acre. The proposed density of the project is in conformance with the district standard with 37 units per acre. The subject site is zoned Mixed Use, and apartment buildings are permitted uses in the district.

Preliminary Plat

The submitted preliminary plat proposes two lots and three outlots totaling 3.88 acres. The City is proposing to deed the stormwater pond in Outlots C and D to the Applicant as they were constructed to support stormwater management at time of development of the subject site. Outlot A was deeded to the City as an unbuildable outlot and was not credited as parkland dedication. The Applicant is proposing to acquire Outlot A from the City due to lot constraints previously mentioned. The additional land allows the Applicant to take advantage of the increased elevation by constructing the building into the hillside as shown below. Staff is agreeable to the land sale provided the Applicant preserves a significant number of trees located on the outlot and that the existing trail easement and associated natural trail corridor remain while a portion of the existing trail segment along the eastern property line is upgraded to a concrete sidewalk. A portion of the existing trail corridor must be rerouted by the Applicant around the proposed improvements.



Preliminary Plat

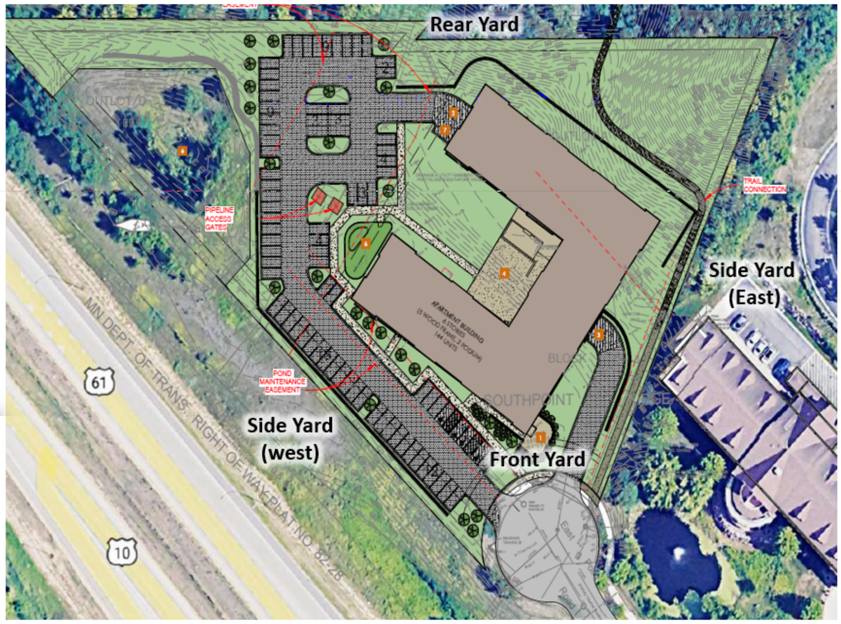
Planned Unit Development

The Planned Unit Development (PUD) is a zoning tool that provides additional flexibility for development that an underlying zoning district would not otherwise allow. For example, a PUD may make exceptions to setbacks, parking requirements, building materials, etc. Due to site constraints, including the pipeline easement and topography, the Applicant is proposing building height, architectural materials, parking ratio, and landscaping flexibility. In return for the flexibility, the Applicant will use a significant amount of stone, a Class I material, on the most visible sections of the building, upgrading the natural trail section along the eastern property line to a concrete sidewalk and will be preserving a substantial number of existing qualifying trees. Additionally, the use of a PUD allows the Applicant the opportunity to provide deeply affordable housing units for the community. The proposed development meets or exceeds all other zoning code requirements.

Site Plan Review

The Applicant is proposing to construct a six (6) story apartment building that meets the majority of the minimum zoning district standards as shown below:

Lot Development Performance Standards		
Standard	**Mixed Use District**	**Proposed Development**
Building Height	55 feet	67 feet*
Minimum front yard setback	25 feet	30 feet
Minimum rear yard setback	10 feet	39 feet
Minimum side yard setback (east)	10 feet	40 feet
Minimum side yard (west)	10 feet	71 feet
Parking lot	10 feet	10 feet
Maximum Site Coverage	70%	59.7%



Lot Development Performance Standards

Parking and Site Access

The Applicant is proposing two accesses to the site from the cul-de-sac on East Point Douglas Road. The proposed eastern access will provide access to the underground parking and the western access provides access to surface and additional underground parking. City Code requires a minimum of 1.6 spaces per unit for apartment buildings or a total of 230 parking spaces for the proposed 144 dwelling units. The Applicant is requesting flexibility to reduce the number of parking stalls onsite to 1.5 spaces per unit or 216 stalls via the PUD, a reduction of 14 parking stalls from the required parking. The submitted site plan shows 82 surface parking stalls and 134 garage parking stalls. The Applicant owns and manages several other apartment complexes with parking at 1.5 stalls per unit and has not received any parking concerns or complaints. The proposed reduction in the required parking ratio is similar to the Legends of Cottage Grove.

Traffic

With all the recent developments occurring along Hardwood Avenue (Aurilla Apartments, The View Apartments, Pizza Ranch, Chase Bank, and O2B Kids Daycare), concerns regarding traffic impacts along the corridor have been raised. The Applicant hired a consultant to review the proposed project and provide data regarding the proposed trip generation from the 144-unit apartment project (Attachment C). Within the analysis, based on the ITE Trip Generation Manual, 11th Edition, it is estimated that this proposed project would generate around 654 daily trips. The city's engineering consultant, Bolton & Menk, also reviewed the proposed traffic impacts from the project and provided an addendum to a previously completed traffic study. The traffic study originated from earlier development along the Hardwood Avenue corridor and took into account development along East Point Douglas Road. As the proposed development does include more units than originally anticipated, the addendum reviews and updates the forecasted traffic and contemplates potential improvements in the surrounding area (Attachment D).

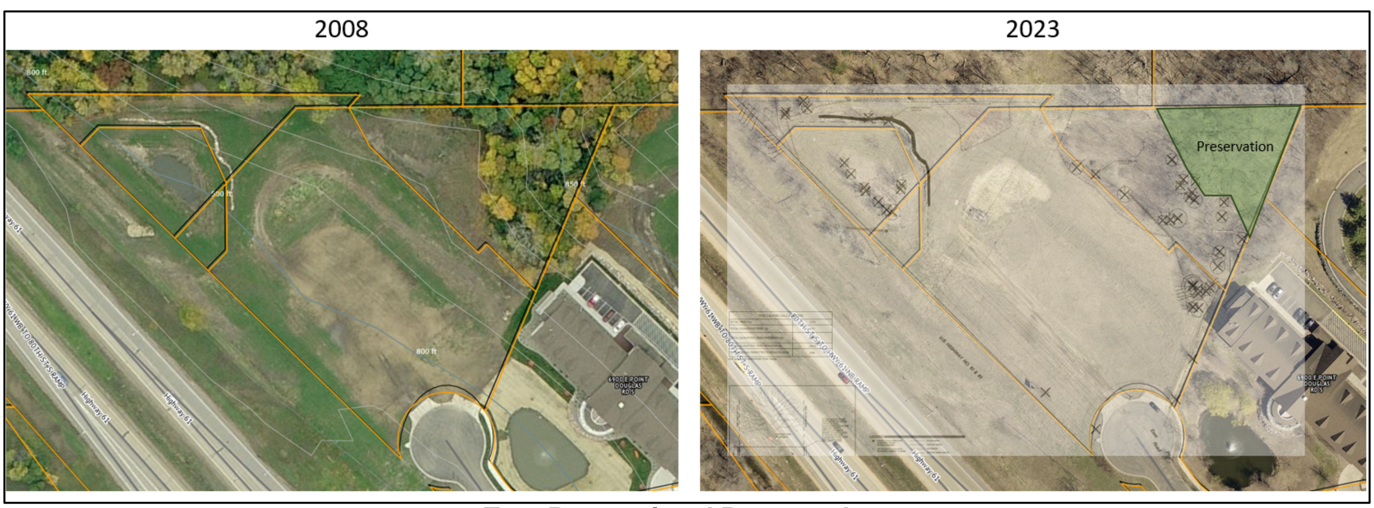
The addendum reviewed the capacity of both East Point Douglas Road and Hardwood Avenue and found both roadways have sufficient capacity to handle the additional trips proposed. The amendment shows the current daily traffic volume on East Point Douglas Road is approximately

1,100 vehicles per day, and is anticipated to increase to 1,750 vehicles per day with the proposed development. The current design capacity of East Point Douglas Road in this area is approximately 2,000 to 5,000 per day; therefore, no additional improvements to East Point Douglas Road are warranted with this proposed development project. Additionally, the study looked at the intersection of Hardwood Avenue and East Point Douglas Road and upon review, the additional trips generated by the proposed 144-unit building do not meet the warrants for an all-way stop control at this intersection at this time. The intersection could experience additional queuing during peak hours; however, the roadway is currently designed to accommodate the additional queuing.

As with all areas of the community experiencing additional growth, staff continues to evaluate and analyze intersections and roadway corridors to ensure any required upgrades or improvements are being programmed into the City's 5-year Capital Improvement Plan (CIP) for implementation as necessary.

Site Lighting
The Applicant has submitted a lighting plan that identifies pole heights and lumen levels throughout the site. The submitted photometric plan proposes five parking lot lights that are LED and 20 feet in height and ten bollard lights that are 5 feet in height. Per City Code, any lighting shall be directed away from any adjoining residential property or from the public streets and be compatible with adjacent lighting in adjoining districts. The Applicant has submitted a photometric plan that is consistent with City Code. The Applicant is proposing zero-foot candles along the shared property line with White Pines Senior Living Development.

Tree Preservation and Mitigation
City code requires mitigation if more than 40 percent of the existing qualifying trees onsite are removed as part of the development process. The majority of the trees being removed are volunteer trees that have grown onsite since the site was graded for development in 2007. In addition, the Applicant has agreed to preserve 440.5 caliper inches of qualifying trees in the northwest section of Outlot A and shown in green below.



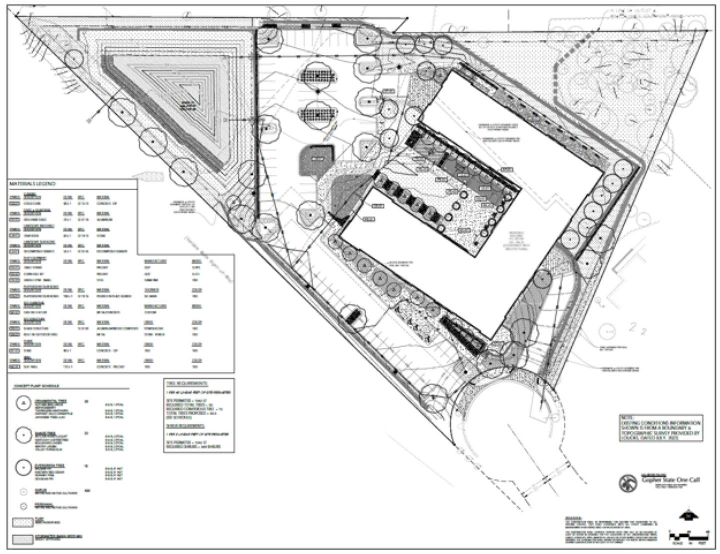
Tree Removal and Preservation

Landscaping

The Applicant has submitted a detailed landscaping plan. The City's Zoning Code requires that a minimum number of trees and shrubs be provided based on the gross square footage of the subject property. The minimum landscaping requirements are shown in the table below.

Landscaping Requirements		
Landscaping	**Mixed Use District**	**Proposed Development**
Overstory Deciduous Tree	44	35*
Coniferous Tree	41	15
Ornamental Tree	0	26
Total	**85**	**53**
Shrubs	94	408

*City code states that every two (2) ornamental trees equals one (1) overstory tree



Landscaping Plan

Due to site constraints, the Applicant is unable to plant the required amount of overstory and coniferous trees in a practical way without overcrowding; however, the Applicant is proposing to plant over 400 shrubs where City Code requires 94. The majority of shrub plantings are shown in the parking lot islands and along the building perimeter satisfying additional landscape ordinance requirements. The proposed parking lot exceeds the required 8 percent landscaped islands. The Applicant's landscape architect is reviewing the plans to see if additional trees can be practically added to the site. As a condition of approval, planning staff shall review and approve a final landscaping plan prior to the issuance of a building permit.

Architecture

The subject site is highly visible from Highway 61; therefore, the Applicant is committed to creating an architecturally prominent building since the site is located at the gateway into the community. The Applicant has provided architectural plans showing columns of stone accents to create a visually attractive building and gateway feel as you enter the community. The Applicant is also proposing to use additional high quality, durable materials such as architectural block and cement lap siding.

Northwest Rendering

Southeast Rendering

The City's Zoning Code requires an apartment to utilize three Class I materials as outlined in the City's Code and be composed of at least 65 percent Class 1 or 2 materials. Class 1 and 2 materials include the following:

<u>Class 1</u>

- Fired clay face brick.
- Natural stone, synthetic or cultured stone.
- Transparent glass, opaque or mirror window panels.

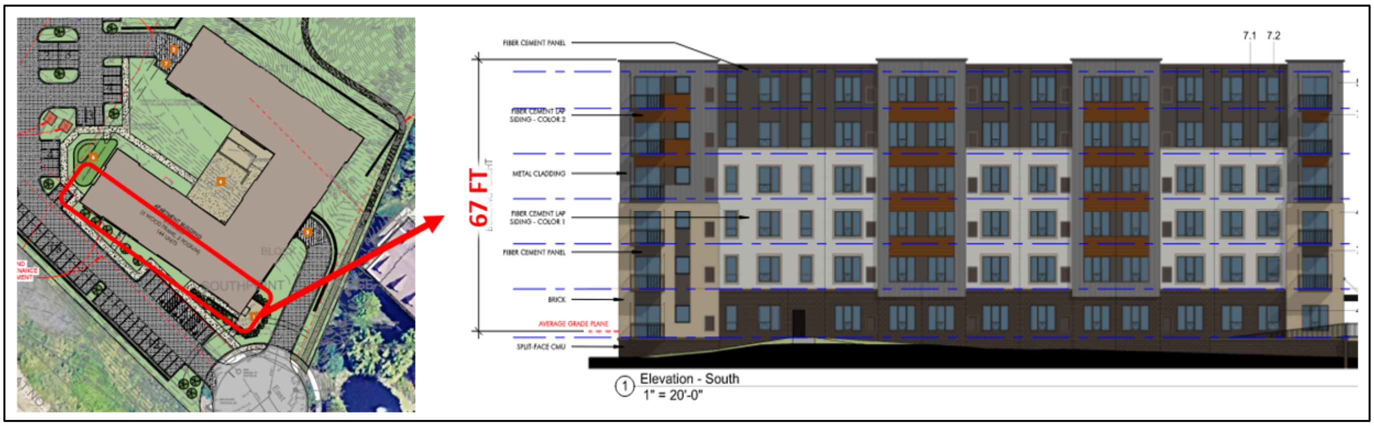
<u>Class 2</u>

- Concrete brick
- Masonry stucco/synthetic stucco.
- Specialty concrete block such as textured, burnished block or rock faced block.
- Tile

The Applicant is requesting to use 57 percent class one and two materials. The remainder of the building includes 53 percent class three materials. The Applicant has proposed exterior materials that align with previously approved and constructed apartment projects in the community.

Class 1	**Proposal**	**Legends of Cottage Grove**
Stone	17%	12%
Glass	30%	22%
Class 2		
Specialty Block	10%	2%
Class 3		
Fiber Cement Side	53%	64%

Section 11-1-3 of the City Code defines building height as "The vertical distance from the average elevation of the adjoining ground level, or the established grade adjacent to the building, whichever is lower, to the top of the roof." The maximum permitted height in the Mixed-Use District is 55 feet. The proposed building has an average height of 67 feet largely due to the western elevation of the building adjacent to Highway 61 as shown below and the construction of the building into the existing hillside.



Western Elevation

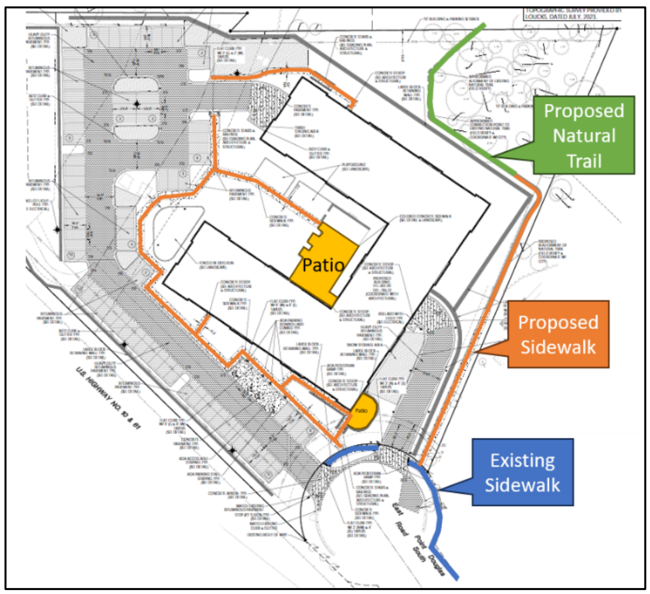
The proposed height of the building would generally be similar to the west side of the Legends of Cottage Grove adjacent to Highway 61, which is 73 feet in height to the top of the gabled roof.

Legends of Cottage Grove – West Elevation Heights

The proposed building is shaped like a horseshoe and the inside area is where the outdoor amenities are located (patio, playground and dog run). This design choice was made intentionally to be cognizant of the assisted living facility located adjacent to the site, keeping the activity areas screened by the building to reduce impacts to the surrounding uses.

Sidewalk and Trails

An existing unpaved natural trail runs the length of the east side of the parcel to Camels Hump Park. The Applicant, as part of the development project, will be constructing a six-foot wide concrete sidewalk along the eastern side of the property until edge of woods where it will turn into a natural trail up to Camels Hump Park. The Applicant on the final plat shall place an easement over the trail corridor and enter into a Trail Maintenance Agreement with the City. The submitted plans show an internal sidewalk system that connects to the existing sidewalk on East Point Douglas Road.



Pedestrian Plan

Park Land and Open Space

A minimum of 10 percent of the developable land area shall be required to provide residents with public recreation facilities, including parks and open spaces, as a part of development projects per City Code Title 10-4-3. The City's Comprehensive Plan does not guide a portion of this project area for future park and open space; therefore, no park dedication land is required. The Applicant would be required to pay a park dedication fee in lieu of dedicated lands for open space.

Utilities

The subject property is located within the Metropolitan Urban Service Area (MUSA). The development is planned to connect to available sanitary sewer and watermain stubs located within East Point Douglas Road.

Grading and Stormwater

The site grading for the project is proposed to meet the requirements established by the State, Watershed District, and the City's Surface Water Management Plan. The development's stormwater management plan calls for the construction of private storm sewer and a pond with a filtration bench to meet all stormwater rules. The pond and filtration bench will be privately owned and maintained; therefore, a private maintenance agreement will be required to be executed and recorded with the property. Stormwater runoff from the site will discharge into MnDOT right-of-way, on the northwest section of the site, and the rest will flow into an existing city storm sewer in southwest area of the site.

Neighborhood Meeting
On November 14, 2023, Roers Companies held a neighborhood meeting at the Legends of Cottage Grove with 33 residents in attendance. Residents asked general questions about the Roers' site selection process, construction timing, anticipated rents, and traffic noise; however, the primary concerns were related to anticipated increase in traffic on East Point Douglas Road and Hardwood Avenue. In discussion following the neighborhood meeting, the Applicant has indicated that they will work with the adjacent property owners to hold informational meetings during the construction process with the residents of the Legends of Cottage Grove and/or White Pines Assisted Living to provide them with construction process updates.

Public Hearing Notices
Notices announcing this public hearing were published in the *St. Paul Pioneer Press* and mailed to four property owners within 500 feet of the proposed development property on December 6, 2023. Staff have not received any inquiries prior to writing this report.

Recommendation

That the Planning Commission recommend that the City Council approve the Preliminary Plat, Site Plan Review, and Planned Unit Development for a 144-unit, six-story mixed-income multi-family apartment building located at 6850 East Point Douglas Road, subject to the following conditions:

<u>General Development</u>

1. The project shall be completed in accordance with the plans submitted and as amended by the conditions of approval. Any significant changes to the plans, as determined by the planning staff, shall require review and approval by the Planning Commission and City Council.

2. Prior to the issuance of a building permit, the Applicant shall incorporate the recommendations, requirements, and evaluations noted in the Bolton & Menk memorandum dated December 8, 2023, and subject to modifications that are agreed to by the City Engineer. All comments shall be adopted herein by reference.

3. Planned Unit Development and Site Plan Review approvals shall expire one year from the date of City Council approval unless a building permit has been requested or a time extension has been granted by the City Council. The City Council may extend the expiration date of such approval upon written application by the person to whom the approval was granted.

4. The Applicant receives appropriate permits or approvals from other regulatory agencies including, but not limited to: Minnesota Department of Transportation, Minnesota Department of Health, Minnesota Department of Natural Resources, and Minnesota Pollution Control Agency.

5. Signage is not approved as part of this application. All signage shall meet the requirements of the sign ordinance, including a monument sign with a base wrapped in the similar materials as found on the principal structure, per the City Code.

6. Prior to the release of the final plat, the Applicant shall enter into a private stormwater maintenance agreement with the City for the ownership and maintenance of the private storm sewer, pond and filtration bench.

7. Prior to the release of the final plat, the Applicant shall enter into a trail maintenance agreement with the City for the proposed sidewalk trail access along the eastern perimeter of the property.

Platting, Land Dedication, and Easements

8. The Applicant is responsible for providing all necessary easements on the final plat including but not limited to trail, pipeline access and conservation. The Applicant is responsible for any costs associated.

9. The Applicant must place iron monuments at all lot and block corners and at all other angle points on property lines. Iron monuments must be placed after all site and right-of-way grading has been completed in order to preserve the lot markers for future property owners.

10. Prior to the issuance of a building permit the final plat shall be recorded with the Washington County Recorder's Office.

11. The approvals for Site Plan Review, Planned Unit Development, Preliminary and Final Plat are contingent on the sale of Outlot A and deeding of Outlots C and D of the Frattalone's Southpoint Ridge addition from the City to the Applicant.

12. Prior to the release of the final plat the applicant shall pay park dedication per unit in lieu of land dedication.

Performance Standards

13. All site lighting must meet City Code requirements. All light fixtures must be downward directed with flush lenses. In addition, any lighting under canopies (building entries) shall be recessed and use a flush lens. The specifications of all light fixtures must be provided with the application for a building permit. The light poles and fixtures shall be consistent in design and color with the development. Light shields shall be used on lighting fixtures adjacent to 6900 East Point Douglas Road South.

14. All mechanical units shall be screened as required in Title 11-3-9 of the City's Zoning Ordinance. All mechanical equipment screening shall be consistent with the principal building architecture and must comply with City ordinance regulations and be reviewed and approved by the Community Development Department prior to the issuance of a building permit.

15. Rubbish, garbage, and recycling containers shall be stored indoors unless pickup is occurring.

16. No exterior storage shall be permitted.

17. Prior to the issuance of a building permit, the applicant shall provide an exterior material sample board.

18. Prior to the issuance of a building permit planning staff shall approve all site fencing materials.

Construction and Grading

19. All grading, drainage, erosion control, and utilities must conform to the final plans approved by the City Engineer.

20. Prior to the issuance of a grading permit the Applicant shall provide written approvals from the pipeline owner permitting grading and construction within the easement.

21. Prior to the issuance of a grading permit the Applicant shall address any comments provided from the Minnesota Department of Transportation.

22. A grading permit and financial security are required prior to grading activity related to the project.

Landscaping

23. Irrigation shall be provided for all sodded and mulched landscaped areas. The irrigation system shall consist of an underground sprinkling system that is designed by a professional irrigation installer to meet the water requirements of the site's specific vegetation. The system shall be detailed on the final landscape plan.

24. All areas of the site, where practical, shall be sodded and maintained. The development shall mow and maintain all site boulevards to the curb line of the public streets.

25. Prior to the issuance of a building permit, the applicant shall submit a letter of credit in the amount of 150 percent of the landscape estimate shall be submitted to the City as required by City ordinance. The financial guarantee shall auto renew annually from the date of installation to ensure the installation, survival, and re-placement of the landscaping improvements.

26. Prior to the issuance of a building permit, planning staff and the City Forester shall review and approve a final landscaping plan in writing.

Onsite Infrastructure Improvements

27. The Applicant is responsible for all street maintenance; upkeep, and repair of curbs, boulevards, and sod. The Applicant hereby agrees to indemnify and hold the City harmless from any and all claims for damages of any nature whatsoever arising out of Applicant's acts or omissions in performing the obligations imposed upon Applicant by this paragraph.

28. Applicant will be required to conduct all major activities to construct the improvements during the following hours of operation:

Monday through Friday	7:00 A.M. to 7:00 P.M.
Saturday (requires 48-hour notice)	9:00 A.M. to 7:00 P.M.
Sunday	Not Allowed

This does not apply to activities that are required on a 24-hour basis such as dewatering or bypass pumping, etc. Any deviations from the above hours are subject to approval by the City.

29. The Applicant shall within 24 hours, or more often if required by the City Engineer, clear from the public streets and property any soil, earth, or debris resulting from construction work by the Applicant or its agents or assigns. All debris, including brush, vegetation, trees, and demolition materials, shall be properly disposed of off-site; burying construction debris, trees, and other vegetation is prohibited. Burning of trees and structures is prohibited, except for fire training only.

30. The Applicant grants the City, its agents, employees, officers, and contractors permission to enter the site to perform all necessary inspections during grading and construction activities.

31. The Applicant must provide the City with an as-built survey of all private and public utilities and grading plan prior to issuance of the certificate of occupancy.

32. Adequate dumpsters must be on site during construction. When the dumpsters are full, they must be emptied immediately or replaced with an empty dumpster. The builder is responsible for cleaning up debris onsite and on adjacent properties.

33. Construction parking on East Point Douglas Road is prohibited.

Prepared by:

Mike Mrosla
Senior Planner

Attachments:
A. Civil Plans
B. Architectural Plans
C. Applicants Traffic Study Memo dated October 30, 2023
D. Bolton & Menk Traffic Study Amendment Summary dated December 6, 2023
E. Engineering Review Memorandum dated December 8, 2023

COTTAGE GROVE ECONOMIC DEVELOPMENT AUTHORITY
CITY OF COTTAGE GROVE
WASHINGTON COUNTY
STATE OF MINNESOTA

RESOLUTION NO. ________

RESOLUTION APPROVING A MODIFICATION TO THE DEVELOPMENT PROGRAM FOR DEVELOPMENT DISTRICT NO. 1 AND ADOPTING A TAX INCREMENT FINANCING PLAN FOR TAX INCREMENT FINANCING DISTRICT NO. 1- 21 (ROERS)

Be It Resolved by the Board of Commissioners of the Cottage Grove Economic Development Authority as follows:

Section 1. Recitals

1.01. The City of Cottage Grove (the "City") and the Cottage Grove Economic Development Authority (the "EDA") previously established Development District No. 1 (the "Development District") and adopted a Development Program for same (the "Development Program").

1.02. The City and the EDA have decided to modify the Development Program to include an additional tax increment financing district.

1.03. In response to a new development opportunity, the EDA has also determined to create Tax Increment Financing District No. 1-21 (Roers) (the "TIF District") within Development District No. 1 pursuant to Minnesota Statutes, sections 469.174 through 469.1794 (the "TIF Act") and has proposed using tax increment financing to facilitate the development of a project consisting of approximately 144 multifamily rental apartments and 216 parking spaces, of which 134 will be structured parking. The proposed TIF District is housing tax increment financing district within the meaning of Minnesota Statutes, Section 469.174, subd. 11.

1.04. The EDA has caused to be prepared a document entitled "Modification to the Development Program, Development District No. 1 and Tax Increment Financing Plan for Tax Increment Financing District No. 1-21 (Roers) (a housing district)".

1.05. A copy of the Modification to the Development Program and the TIF Plan, including estimates of the fiscal and economic implications of the TIF District, was provided to Washington County and Independent School District 833 at least 30 days before the date of the public hearing to be held before the Cottage Grove City Council.

1.06. The EDA has fully reviewed the contents of the Modification to the Development Program and the TIF Plan.

Section 2. Findings; Modification of Development District No. 1

2.01. The Development Program is intended to afford maximum opportunity, consistent with the needs of the City, for the development and redevelopment of the Development District by private enterprise and to conform to the general plans for the development and redevelopment of the City as a whole.

2.02. The EDA finds that the Modification to the Development Program will continue to guide development and redevelopment within those areas of Cottage Grove which have been identified as benefitting from such assistance and provides for the establishment of an additional tax increment financing district to accomplish such goals and objectives.

Section 3. Findings; TIF District No. 1-21

3.01. The EDA hereby finds that it is necessary and desirable for the sound and orderly development and redevelopment of the Development District and Cottage Grove as a whole, and for the protection and preservation of the public health, safety, and general welfare, that the authority granted to the EDA pursuant to the TIF Act be exercised to establish the TIF District within the Development District.

3.02. The EDA further finds and it is the reasoned opinion of the EDA that the development proposed in the TIF Plan for the TIF District could not reasonably be expected to occur solely through private investment within the reasonably foreseeable future.

3.03. The Plan for the TIF District conforms to the general plans for development of Cottage Grove as a whole.

3.04. The Plan for the TIF District will afford maximum opportunity, consistent with the sound needs of the City as a whole, for the development of the TIF District and the Development District by private enterprise.

3.05. The TIF District is a housing tax increment financing district under Minnesota Statutes, Section 469.174, Subdivision 11, based on the findings described in the TIF Plan.

3.06. Additional reasons and facts supporting the findings regarding the TIF District are stated in the TIF Plan. The EDA has relied upon the representations of the developer and a review of the developer's proforma, the reports and recommendations of its staff and consultants as well as the personal knowledge of the board of commissioners of the EDA in reaching its conclusions regarding the TIF District.

Section 4. Modification of Development Program and TIF Plan Adopted; Effective Date

4.01. The Modified Development Program and the TIF Plan are hereby approved and adopted.

4.02. The geographic boundaries of the Development District and of the TIF District are as described in the Modified Development Program and the TIF Plan, respectively, and are incorporated herein by reference.

4.03. The Executive Director is authorized and directed to transmit a copy of this resolution together with a copy of the Modified Development Program and the TIF Plan to the Cottage Grove City Council with a request that the City Council conduct such hearings as required by law and approve said plans as soon hereafter as possible.

4.04. This resolution is effective on the date of its approval.

Approved by the Board of Commissioners of the Cottage Grove Economic Development Authority this 9th day of January, 2024.

____
President

Attest:

____
Jennifer Levitt, Executive Director

Adoption Date: January 17, 2024

Cottage Grove Economic Development Authority

City of Cottage Grove, Washington County, Minnesota

MODIFICATION TO THE DEVELOPMENT PROGRAM

Development District No. 1

&

Tax Increment Financing (TIF) Plan

Establishment of Tax Increment Financing District No. 1-21 (Roers)

(a housing district)

Prepared by:

Ehlers
3060 Centre Pointe Drive
Roseville, Minnesota 55113

BUILDING COMMUNITIES. IT'S WHAT WE DO.

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Modification to the Development Program for Development District No. 1

FOREWORD

The following text represents a Modification to the Development Program for Development District No. 1. This modification represents a continuation of the goals and objectives set forth in the Development Program for Development District No. 1. Generally, the substantive changes include the establishment of Tax Increment Financing District No. 1-21 (Roers).

For further information, a review of the Development Program for Development District No. 1, is recommended. It is available from the Community Development Director at the City of Cottage Grove. Other relevant information is contained in the tax increment financing plans for the tax increment financing districts located within Development District No. 1.

Tax Increment Financing Plan for Tax Increment Financing District No. 1-21 (Roers)

FOREWORD

The Cottage Grove Economic Development Authority (the "EDA"), the City of Cottage Grove (the "City"), staff and consultants have prepared the following information to expedite the Establishment of Tax Increment Financing District No. 1-21 (Roers) (the "District"), a housing tax increment financing district, located in Development District No. 1.

STATUTORY AUTHORITY

Within the City, there exist areas where public involvement is necessary to cause development or redevelopment to occur. To this end, the EDA and City have certain statutory powers pursuant to *Minnesota Statutes ("M.S."), Sections 469.090 - 469.1082*, inclusive, as amended, and *M.S., Sections 469.174 to 469.1794*, inclusive, as amended (the "TIF Act"), to assist in financing public costs related to this project.

This section contains the Tax Increment Financing Plan (the "TIF Plan") for the District. Other relevant information is contained in the Modification to the Development Program for Development District No. 1.

STATEMENT OF OBJECTIVES

The District currently consists of five (5) parcels of land and adjacent roads and internal rights-of-way. The District is being created to facilitate the construction of a 144-unit apartment building with at least 20% of the units affordable at 50% of the AMI or below in the City. The EDA anticipates entering into an agreement with the developer in the first quarter of 2024. Construction is anticipated to begin in the second quarter of 2024. This TIF Plan is expected to achieve many of the objectives outlined in the Development Program for Development District No. 1.

The activities contemplated in the Modification to the Development Program and the TIF Plan do not preclude the undertaking of other qualified development or redevelopment activities. These activities are anticipated to occur over the life of Development District No. 1 and the District.

DEVELOPMENT PROGRAM OVERVIEW

Pursuant to the Development Program and authorizing state statutes, the EDA or City is authorized to undertake the following activities in the District:

1. Property to be Acquired - The City currently owns three (3) parcels of property within the District. The remaining property located within the District may be acquired by the EDA or City and is further described in this TIF Plan.

2. Relocation - Relocation services, to the extent required by law, are available pursuant to *M.S., Chapter 117* and other relevant state and federal laws.

3. Upon approval of a developer's plan relating to the project and completion of the necessary legal requirements, the EDA or City may sell to a developer selected properties that it may acquire within the District or may lease land or facilities to a developer.

4. The EDA or City may perform or provide for some or all necessary acquisition, construction, relocation, demolition, and required utilities and public street work within the District.

DESCRIPTION OF PROPERTY IN THE DISTRICT AND PROPERTY TO BE ACQUIRED

The District encompasses all property and adjacent roads rights-of-way and abutting roadways identified by the parcels listed below.

Parcel number	Address	Owner
07.027.21.44.0025	6850 E. Point Douglas Rd S - Lot 3	Southpoint Ridge LLC
07.027.21.44.0026	6850 E. Point Douglas Rd S - Lot 4	Southpoint Ridge LLC
07.027.21.44.0021	6850 E. Point Douglas Rd S - Lot C	City of Cottage Grove
07.027.21.44.0022	6850 E. Point Douglas Rd S - Lot D	City of Cottage Grove
07.027.21.44.0019	6850 E. Point Douglas Rd S - Outlot A	City of Cottage Grove

Please also see the map in Appendix A for further information on the location of the District.

The EDA or City may acquire any parcel within the District including interior and adjacent street rights of way. Any properties identified for acquisition will be acquired by the EDA or City only in order to accomplish one or more of the following: storm sewer improvements; provide land for needed public streets, utilities and facilities; carry out land acquisition, site improvements, clearance and/or development to accomplish the uses and objectives set forth in this plan. The EDA or City may acquire property by gift, dedication, condemnation or direct purchase from willing sellers in order to achieve the objectives of this TIF Plan. Such acquisitions will be undertaken only when there is assurance of funding to finance the acquisition and related costs.

The City currently owns three (3) parcels of the property to be included in the District that will be sold to the developer as part of the project.

DISTRICT CLASSIFICATION

The EDA and City, in determining the need to create a tax increment financing district in accordance with *M.S., Sections 469.174 to 469.1794*, as amended, inclusive, find that the District, to be established, is a housing district pursuant to *M.S., Section 469.174, Subd. 11 and M.S., Section 469.1761.*

- The District consists of five (5) parcels
- The development will consist of 144 units of multi-family rental housing
- 20% of the units will be occupied by person with incomes at or below 50% of the area median income
- No more that 20% of the square footage of the building that is receiving assistance from tax increment consists of commercial, retail or other non-residential uses.

Pursuant to *M.S., Section 469.176, Subd. 7*, the District does not contain any parcel or part of a parcel that qualified under the provisions of *M.S., Sections 273.111*, *273.112, or 273.114* or *Chapter 473H* for taxes payable in any of the five calendar years before the filing of the request for certification of the District.

DURATION & FIRST YEAR OF DISTRICT'S TAX INCREMENT

Pursuant to M.S., Section 469.175, Subd. 1, and Section 469.176, Subd. 1, the duration and first year of tax increment of the District must be indicated within the TIF Plan. Pursuant to M.S., Section 469.176, Subd. 1b., the duration of the District will be 25 years after receipt of the first increment by the EDA or City (a total of 26 years of tax increment). The EDA or City elects to receive the first tax increment in 2026, which is no later than four years following the year of approval of the District.
Thus, it is estimated that the District, including any modifications of the TIF

Plan for subsequent phases or other changes, would terminate after 2051, or when the TIF Plan is satisfied. The EDA or City reserves the right to decertify the District prior to the legally required date.

ORIGINAL TAX CAPACITY, TAX RATE & ESTIMATED CAPTURED NET TAX CAPACITY VALUE/INCREMENT & NOTIFICATION OF PRIOR PLANNED IMPROVEMENTS

Pursuant to *M.S., Section 469.174, Subd. 7 and M.S., Section 469.177, Subd. 1*, the Original Net Tax Capacity (ONTC) as certified for the District will be based on the market values placed on the property by the assessor in 2023 for taxes payable 2024.

Pursuant to *M.S., Section 469.177, Subds. 1 and 2*, the County Auditor shall certify in each year (beginning in the payment year 2026) the amount by which the original value has increased or decreased as a result of:

1. Change in tax exempt status of property;
2. Reduction or enlargement of the geographic boundaries of the District;
3. Change due to adjustments, negotiated or court-ordered abatements;
4. Change in the use of the property and classification;
5. Change in state law governing class rates; or
6. Change in previously issued building permits.

In any year in which the current Net Tax Capacity (NTC) value of the District declines below the ONTC, no value will be captured and no tax increment will be payable to the EDA or City.

The original local tax rate for the District will be the local tax rate for taxes payable 2024, assuming the request for certification is made before June 30, 2024. The ONTC and the Preliminary 2024 Original Local Tax Rate for the District appear in the table below.

Pursuant to *M.S., Section 469.174 Subd. 4 and M.S., Section 469.177, Subd. 1, 2, and 4*, the estimated Captured Net Tax Capacity (CTC) of the District, within Development District No. 1, upon completion of the projects within the District, will annually approximate tax increment revenues as shown in the table below. The EDA and City request 100% of the available increase in tax capacity be used for repayment of the obligations of the EDA or City and current expenditures, beginning in the tax year payable 2026. The Project Tax Capacity (PTC) listed is an estimate of values when the projects within the District are completed.

Project Tax Capacity		
Development estimated Tax Capacity upon completion	635,001	
Original estimated Net Tax Capacity	6,790	
Fiscal Disparities	0	
Estimated Captured Tax Capacity	**628,211**	
Original Local Tax Rate	87.8318%	Prelim. Pay 2024
Estimated Annual Tax Increment	**$551,770**	
Percent Retained by the City	100%	

Note: Tax capacity includes a 3% inflation factor for the duration of the District. The tax capacity included in this chart is the estimated tax capacity of the District in year 26. The tax capacity of the District in year one is estimated to be $80,438.

Pursuant to *M.S., Section 469.177, Subd. 4*, the EDA shall, after a due and diligent search, accompany its request for certification to the County Auditor or its notice of the District enlargement pursuant to *M.S., Section 469.175, Subd. 4*, with a listing of all properties within the District or area of enlargement for which building permits have been issued during the eighteen (18) months immediately preceding approval of the TIF Plan by the municipality pursuant to *M.S., Section 469.175, Subd. 3.* The County Auditor shall increase the original net tax capacity of the District by the net tax capacity of improvements for which a building permit was issued.

The City and EDA have reviewed the area to be included in the District and found no parcels for which building permits have been issued during the 18 months immediately preceding approval of the TIF plan by the City.

SOURCES OF REVENUE/BONDS TO BE ISSUED

The total estimated tax increment revenues for the District are shown in the table below:

SOURCES	
Tax Increment	$ 9,820,941
Interest	982,094
TOTAL	**$ 10,803,035**

The costs outlined in the Uses of Funds will be financed primarily through the annual collection of tax increments. The EDA or City reserves the right to issue bonds (as defined in the TIF Act) or incur other indebtedness as a result of the TIF Plan. As presently proposed, the projects within the District will be financed by pay-as-you-go notes and interfund loans. Any refunding amounts will be deemed a budgeted cost without a formal modification to this TIF Plan. This provision does not obligate the EDA or City to incur debt. The EDA or City will issue bonds or incur other debt only upon the determination that such action is in the best interest of the City.

The EDA or City may issue bonds secured in whole or in part with tax increments from the District in a maximum principal amount of $6,889,951. Such bonds may be in the form of pay-as-you-go notes, revenue bonds or notes, general obligation bonds, or interfund loans. This estimate of total bonded indebtedness is a cumulative statement of authority under this TIF Plan as of the date of approval.

USES OF FUNDS

Currently under consideration for the District is a proposal to facilitate the construction of a 144-unit apartment building with at least 20% of the units affordable at 50% of the AMI or below. The EDA and City have determined that it will be necessary to provide assistance to the project(s) for certain District costs, as described herein.

The EDA has studied the feasibility of the development or redevelopment of property in and around the District. To facilitate the establishment and development or redevelopment of the District, this TIF Plan authorizes the use of tax increment financing to pay for the cost of certain eligible expenses. The estimate of public costs and uses of funds associated with the District is outlined in the following table.

USES	
Land/Building Acquisition	$ 1,000,000
Site Improvements/Preparation	500,000
Affordable Housing	3,757,857
Utilities	150,000
Other Qualifying Improvements	500,000
Administrative Costs (up to 10%)	982,094
PROJECT COSTS TOTAL	**$ 6,889,951**
Interest	3,913,084
PROJECT AND INTEREST COSTS TOTAL	**$ 10,803,035**

The total project cost, including financing costs (interest) listed in the table above does not exceed the total projected tax increments for the District as shown in the Sources of Revenue section.

Estimated costs associated with the District are subject to change among categories without a modification to the TIF Plan. The cost of all activities to be considered for tax increment financing will not exceed, without formal modification, the budget above pursuant to the applicable statutory requirements. The EDA may expend funds for qualified housing activities outside of the District boundaries.

FISCAL DISPARITIES ELECTION

Pursuant to *M.S., Section 469.177, Subd. 3*, the EDA or City may elect one of two methods to calculate fiscal disparities.

The EDA will choose to calculate fiscal disparities by clause b (inside).

ESTIMATED IMPACT ON OTHER TAXING JURISDICTIONS

The estimated impact on other taxing jurisdictions assumes that the redevelopment contemplated by the TIF Plan would occur without the creation of the District. However, the EDA or City has determined that such development or redevelopment would not occur "but for" tax increment financing and that, therefore, the fiscal impact on other taxing jurisdictions is $0. The estimated fiscal impact of the District would be as follows if the "but for" test was not met:

Impact on Tax Base			
Entity	Preliminary 2023/ Pay 2024 Total Net Tax Capacity	Estimated Captured Tax Capacity (CTC) upon completion	Percent of CTC to Entity Total
Washington County	556,112,283	628,211	**0.1130%**
City of Cottage Grove	62,558,846	628,211	**1.0042%**
ISD 833 (South Washington County)	194,299,727	628,211	**0.3233%**

Impact on Tax Rates				
Entity	Preliminary Pay 2024 Extension Rate	Percent of Total	CTC	Potential Taxes
Washington County	21.9042%	24.94%	628,211	**$ 137,605**
City of Cottage Grove	32.7287%	37.26%	628,211	**205,606**
ISD 833 (South Washington County)	29.7481%	33.87%	628,211	**186,881**
Other	3.4508%	3.93%	628,211	**21,678**
	87.8318%	**100.00%**		**$ 551,770**

The estimates listed above display the captured tax capacity when all construction is completed. The tax rate used for calculations is the Preliminary Pay 2024 rate. The total net capacity for the entities listed above are based on Preliminary Pay 2024 figures. The District will be certified under the Final Pay 2024 rates.

Pursuant to *M.S., Section 469.175 Subd. 2(b)*:

(1) Estimate of total tax increment. It is estimated that the total amount of tax increment that will be generated over the life of the District is $9,820,941;

(2) Probable impact of the District on city provided services and ability to issue debt. An impact of the District on police protection is expected. With any addition of new residents or businesses, police calls for service will be increased. New developments add an increase in traffic, and additional overall demands to the call load.

The City does not expect that the proposed development, in and of itself, will necessitate new capital investment in vehicles or facilities.

The probable impact of the District on fire protection is not expected to be significant. Typically new buildings generate few calls, if any, and are of superior construction. The existing site is undeveloped. The City does not expect that the proposed development, in and of itself, will necessitate new capital investment in vehicles or facilities.

The impact of the District on public infrastructure is expected to be minimal. The development is not expected to significantly impact any traffic movements in the area. The current infrastructure for sanitary sewer, storm sewer and water will be able to handle the additional volume generated from the proposed development. Storm sewer modifications are part of the private development budget.
Based on the development plans, there are no additional costs associated with street maintenance, sweeping, plowing, lighting and sidewalks.

The probable impact of the issuance of any general obligation tax increment bonds payable from tax increment revenues from the District on the City's ability to issue debt for general fund purposes is expected to be minimal. It is not anticipated that there will be any general obligation debt issued in relation to this project, therefore there will be no impact on the City's ability to issue future debt or on the City's debt limit.

(3) Estimated amount of tax increment attributable to school district levies. It is estimated that the amount of tax increments over the life of the District that would be attributable to school district levies, assuming the school district's share of the total local tax rate for all taxing jurisdictions remained the same, is $3,326,292;

(4) Estimated amount of tax increment attributable to county levies. It is estimated that the amount of tax increments over the life of the District that would be attributable to county levies, assuming the county's share of the total local tax rate for all taxing jurisdictions remained the same, is $2,449,229;

(5) Additional information requested by the county or school district. The City is not aware of any standard questions in a county or school district written policy regarding tax increment districts and impact on county or school district services. The county or school district must request additional information pursuant to *M.S., Section 469.175 Subd. 2(b)* within 15 days after receipt of the tax increment financing plan. No requests for additional information from the county or school district regarding the proposed development for the District have been received.

SUPPORTING DOCUMENTATION

Pursuant to *M.S., Section 469.175, Subd. 1 (a), clause 7* this TIF Plan must contain identification and description of studies and analyses used to make the determination set forth in *M.S., Section 469.175, Subd. 3, clause (b)(2)* and the findings are required in the resolution approving the District.

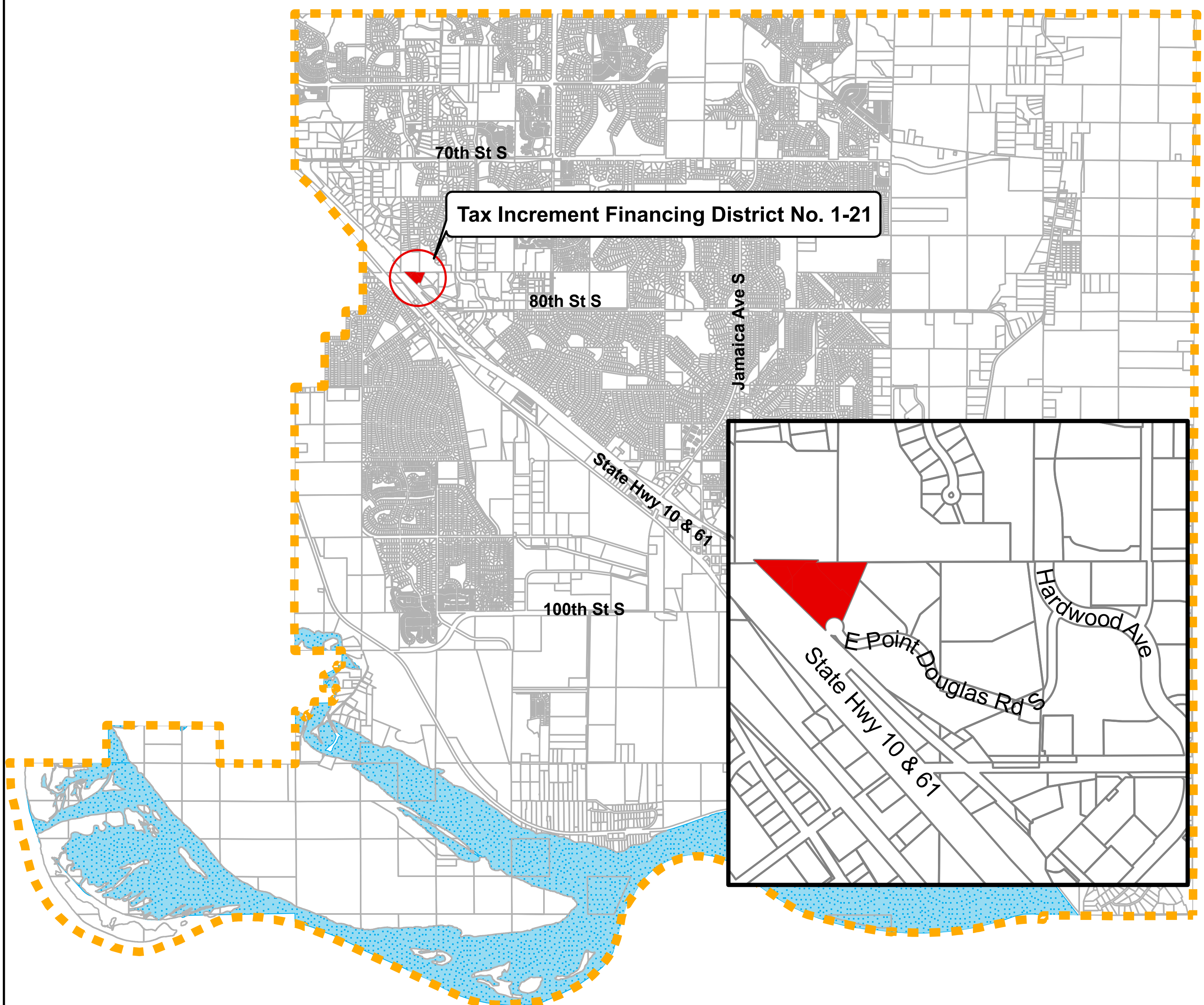
(i) In making said determination, reliance has been placed upon (1) written representation made by the Developer to such effects, (2) review of the Developer's proforma; and (3) City staff awareness of the feasibility of developing the project site within the District, which is further outlined in the City Council resolution approving the establishment of the District and Appendix C.

(ii) A comparative analysis of estimated market value both with and without establishment of the District and the use of tax increments has been performed. Such analysis is included with the cashflow in Appendix B and indicates that the increase in estimated market value of the proposed development (less the indicated subtractions) exceeds the estimated market value of the site absent the establishment of the District and the use of tax increments.

DISTRICT ADMINISTRATION

Administration of the District will be handled by the Community Development Director.

Appendix A: Map of Development District No. 1 and the TIF District



Legend

Tax Increment Financing District No. 1-21

Development District No. 1

Cottage Grove
Where Pride and Prosperity Meet

TIF Development Districts

Cottage Grove, MN

Date: 11/17/2023

N

0 0.5 1 Miles

Appendix B: Estimated Cash Flow for the District

Roers WF Housing - No Inflation

City of Cottage Grove, MN

144 Mixed Income Apartments

EHLERS PUBLIC FINANCE ADVISORS

ASSUMPTIONS AND RATES

DistrictType:	**Housing**	
District Name/Number:		
County District #:		
First Year Construction or Inflation on Value	**2024**	
Existing District - Specify No. Years Remaining		
Inflation Rate - Every Year:	**3.00%**	
Interest Rate:	**4.00%**	
Present Value Date:	**1-Aug-25**	
First Period Ending	1-Feb-26	
Tax Year District was Certified:	**Pay 2024**	
Cashflow Assumes First Tax Increment For Development:	2026	
Years of Tax Increment	26	
Assumes Last Year of Tax Increment	2051	
Fiscal Disparities Election [Outside (A), Inside (B), or NA]	**Inside(B)**	
Incremental or Total Fiscal Disparities	**Incremental**	
Fiscal Disparities Contribution Ratio	27.5474%	Prelim. Pay 2024
Fiscal Disparities Metro-Wide Tax Rate	123.0260%	Prelim. Pay 2024
Maximum/Frozen Local Tax Rate:	87.832%	Prelim. Pay 2024
Current Local Tax Rate: (Use lesser of Current or Max.)	87.832%	Prelim. Pay 2024
State-wide Tax Rate (Comm./Ind. only used for total taxes)	30.0000%	Prelim. Pay 2024
Market Value Tax Rate (Used for total taxes)	0.28424%	Prelim. Pay 2024

Tax Rates

Exempt Class Rate (Exempt)			0.00%
Commercial Industrial Preferred Class Rate (C/I Pref.)			
	First	$150,000	1.50%
	Over	$150,000	2.00%
Commercial Industrial Class Rate (C/I)			2.00%
Rental Housing Class Rate (Rental)			1.25%
Affordable Rental Housing Class Rate (Aff. Rental)			
	First	$100,000	0.25%
	Over	$100,000	0.25%
Non-Homestead Residential (Non-H Res. 1 Unit)			
	First	$500,000	1.00%
	Over	$500,000	1.25%
Homestead Residential Class Rate (Hmstd. Res.)			
	First	$500,000	1.00%
	Over	$500,000	1.25%
Agricultural Non-Homestead			1.00%

BASE VALUE INFORMATION (Original Tax Capacity)

Map ID	PID	Owner	Address	Land Market Value	Building Market Value	Total Market Value	Percentage Of Value Used for District	Original Market Value	Tax Year Original Market Value	Property Tax Class	Current Original Tax Capacity	Class After Conversion	After Conversion Orig. Tax Cap.	Area/ Phase
1	07.027.21.44.0025	Southpoint Ridge LLC	6850 E. Point Douglas Rd S - Lot 3	535,900		535,900	100%	535,900	Pay 2024	Rental	6,699	Rental	6,699	1
2	07.027.21.44.0026	Southpoint Ridge LLC	6850 E. Point Douglas Rd S - Lot 4	1,500		1,500	100%	1,500	Pay 2024	C/I	30	Rental	19	1
3	07.027.21.44.0021	City of Cottage Grove	6850 E. Point Douglas Rd S - Lot C	2,000		2,000	100%	2,000	Pay 2024	Exempt	-	Rental	25	1
4	07.027.21.44.0022	City of Cottage Grove	6850 E. Point Douglas Rd S - Lot D	2,000		2,000	100%	2,000	Pay 2024	Exempt	-	Rental	25	1
5	07.027.21.44.0019	City of Cottage Grove	6850 E. Point Douglas Rd S - Outlot A	1,800		1,800	100%	1,800	Pay 2024	Exempt	-	Rental	23	1
				543,200	0	543,200		543,200			6,729		6,790	

Note:

1. Base values are for pay 2024 based on review of County website on 9-21-23.

2. Located in taxing district 1904 COTTAGE GR U-833-SWWS.

Roers WF Housing - No Inflation

City of Cottage Grove, MN
144 Mixed Income Apartments

EHLERS PUBLIC FINANCE ADVISORS

PROJECT INFORMATION (Project Tax Capacity)

Area/Phase	New Use	Estimated Market Value Per Sq. Ft./Unit	Taxable Market Value Per Sq. Ft./Unit	Total Sq. Ft./Units	Total Taxable Market Value	Property Tax Class	Project Tax Capacity	Project Tax Capacity/Unit	Percentage Completed 2024	Percentage Completed 2025	Percentage Completed 2026	Percentage Completed 2027	First Year Full Taxes Payable
1	Apartments	225,000	225,000	107	24,075,000	Rental	300,938	2,813	25%	75%	100%	100%	2028
1	Apartments	225,000	225,000	37	8,325,000	Aff. Rental	20,813	563	25%	75%	100%	100%	2028
TOTAL					32,400,000		321,750						
Subtotal Residential				144	32,400,000		321,750						
Subtotal Commercial/Ind.				0	0		0						

Note:
1. Market values are based upon conversation with County Assessor on 10-4-23.

TAX CALCULATIONS

New Use	Total Tax Capacity	Fiscal Disparities Tax Capacity	Local Tax Capacity	Local Property Taxes	Fiscal Disparities Taxes	State-wide Property Taxes	Market Value Taxes	Total Taxes	Taxes Per Sq. Ft./Unit
Apartments	300,938	0	300,938	264,319	0	0	68,432	332,751	3,109.82
Apartments	20,813	0	20,813	18,280	0	0	5,916	24,196	653.94
TOTAL	321,750	0	321,750	282,599	0	0	74,348	356,946	

Note:
1. Taxes and tax increment will vary significantly from year to year depending upon values, rates, state law, fiscal disparities and other factors which cannot be predicted.

WHAT IS EXCLUDED FROM TIF?

Total Property Taxes	356,946
less State-wide Taxes	0
less Fiscal Disp. Adj.	0
less Market Value Taxes	(74,348)
less Base Value Taxes	(5,964)
Annual Gross TIF	276,635

EHLERS
PUBLIC FINANCE ADVISORS

Roers WF Housing - No Inflation

City of Cottage Grove, MN

144 Mixed Income Apartments

TAX INCREMENT CASH FLOW

% of OTC	Project Tax Capacity	Original Tax Capacity	Fiscal Disparities Incremental	Captured Tax Capacity	Local Tax Rate	Annual Gross Tax Increment	Semi-Annual Gross Tax Increment	State Auditor 0.36%	Admin. at 10%	Semi-Annual Net Tax Increment	Semi-Annual Present Value	PERIOD ENDING Yrs.	Tax Year	Payment Date
							-	-	-	-				02/01/26
100%	80,438	(6,790)	-	73,648	87.832%	64,686	32,343	(116)	(3,223)	29,004	27,878	0.5	2026	08/01/26
							32,343	(116)	(3,223)	29,004	55,209	1	2026	02/01/27
100%	241,313	(6,790)	-	234,523	87.832%	205,985	102,993	(371)	(10,262)	92,360	140,535	1.5	2027	08/01/27
							102,993	(371)	(10,262)	92,360	224,188	2	2027	02/01/28
100%	321,750	(6,790)	-	314,960	87.832%	276,635	138,318	(498)	(13,782)	124,038	334,330	2.5	2028	08/01/28
							138,318	(498)	(13,782)	124,038	442,312	3	2028	02/01/29
100%	331,403	(6,790)	-	324,613	87.832%	285,113	142,557	(513)	(14,204)	127,839	551,421	3.5	2029	08/01/29
							142,557	(513)	(14,204)	127,839	658,391	4	2029	02/01/30
100%	341,345	(6,790)	-	334,555	87.832%	293,845	146,923	(529)	(14,639)	131,754	766,476	4.5	2030	08/01/30
							146,923	(529)	(14,639)	131,754	872,441	5	2030	02/01/31
100%	351,585	(6,790)	-	344,795	87.832%	302,840	151,420	(545)	(15,087)	135,787	979,508	5.5	2031	08/01/31
							151,420	(545)	(15,087)	135,787	1,084,476	6	2031	02/01/32
100%	362,132	(6,790)	-	355,342	87.832%	312,104	156,052	(562)	(15,549)	139,941	1,190,534	6.5	2032	08/01/32
							156,052	(562)	(15,549)	139,941	1,294,513	7	2032	02/01/33
100%	372,996	(6,790)	-	366,206	87.832%	321,646	160,823	(579)	(16,024)	144,220	1,399,569	7.5	2033	08/01/33
							160,823	(579)	(16,024)	144,220	1,502,565	8	2033	02/01/34
100%	384,186	(6,790)	-	377,396	87.832%	331,474	165,737	(597)	(16,514)	148,626	1,606,627	8.5	2034	08/01/34
							165,737	(597)	(16,514)	148,626	1,708,649	9	2034	02/01/35
100%	395,712	(6,790)	-	388,922	87.832%	341,597	170,799	(615)	(17,018)	153,165	1,811,725	9.5	2035	08/01/35
							170,799	(615)	(17,018)	153,165	1,912,779	10	2035	02/01/36
100%	407,583	(6,790)	-	400,793	87.832%	352,024	176,012	(634)	(17,538)	157,841	2,014,877	10.5	2036	08/01/36
							176,012	(634)	(17,538)	157,841	2,114,972	11	2036	02/01/37
100%	419,811	(6,790)	-	413,021	87.832%	362,764	181,382	(653)	(18,073)	162,656	2,216,099	11.5	2037	08/01/37
							181,382	(653)	(18,073)	162,656	2,315,243	12	2037	02/01/38
100%	432,405	(6,790)	-	425,615	87.832%	373,826	186,913	(673)	(18,624)	167,616	2,415,407	12.5	2038	08/01/38
							186,913	(673)	(18,624)	167,616	2,513,607	13	2038	02/01/39
100%	445,377	(6,790)	-	438,587	87.832%	385,219	192,610	(693)	(19,192)	172,725	2,612,815	13.5	2039	08/01/39
							192,610	(693)	(19,192)	172,725	2,710,079	14	2039	02/01/40
100%	458,739	(6,790)	-	451,949	87.832%	396,955	198,477	(715)	(19,776)	177,987	2,808,340	14.5	2040	08/01/40
							198,477	(715)	(19,776)	177,987	2,904,674	15	2040	02/01/41
100%	472,501	(6,790)	-	465,711	87.832%	409,042	204,521	(736)	(20,378)	183,406	3,001,996	15.5	2041	08/01/41
							204,521	(736)	(20,378)	183,406	3,097,409	16	2041	02/01/42
100%	486,676	(6,790)	-	479,886	87.832%	421,492	210,746	(759)	(20,999)	188,989	3,193,799	16.5	2042	08/01/42
							210,746	(759)	(20,999)	188,989	3,288,298	17	2042	02/01/43
100%	501,276	(6,790)	-	494,486	87.832%	434,316	217,158	(782)	(21,638)	194,739	3,383,764	17.5	2043	08/01/43
							217,158	(782)	(21,638)	194,739	3,477,357	18	2043	02/01/44
100%	516,314	(6,790)	-	509,524	87.832%	447,525	223,762	(806)	(22,296)	200,661	3,571,906	18.5	2044	08/01/44
							223,762	(806)	(22,296)	200,661	3,664,601	19	2044	02/01/45
100%	531,804	(6,790)	-	525,014	87.832%	461,129	230,565	(830)	(22,973)	206,761	3,758,241	19.5	2045	08/01/45
							230,565	(830)	(22,973)	206,761	3,850,045	20	2045	02/01/46
100%	547,758	(6,790)	-	540,968	87.832%	475,142	237,571	(855)	(23,672)	213,044	3,942,784	20.5	2046	08/01/46
							237,571	(855)	(23,672)	213,044	4,033,705	21	2046	02/01/47
100%	564,191	(6,790)	-	557,401	87.832%	489,575	244,788	(881)	(24,391)	219,516	4,125,550	21.5	2047	08/01/47
							244,788	(881)	(24,391)	219,516	4,215,595	22	2047	02/01/48
100%	581,116	(6,790)	-	574,326	87.832%	504,441	252,221	(908)	(25,131)	226,181	4,306,555	22.5	2048	08/01/48
							252,221	(908)	(25,131)	226,181	4,395,731	23	2048	02/01/49
100%	598,550	(6,790)	-	591,760	87.832%	519,753	259,877	(936)	(25,894)	233,047	4,485,812	23.5	2049	08/01/49
							259,877	(936)	(25,894)	233,047	4,574,128	24	2049	02/01/50
100%	616,506	(6,790)	-	609,716	87.832%	535,525	267,762	(964)	(26,680)	240,119	4,663,338	24.5	2050	08/01/50
							267,762	(964)	(26,680)	240,119	4,750,800	25	2050	02/01/51
100%	635,001	(6,790)	-	628,211	87.832%	551,770	275,885	(993)	(27,489)	247,402	4,839,148	25.5	2051	08/01/51
							275,885	(993)	(27,489)	247,402	4,925,763	26	2051	02/01/52
Total							**9,856,424**	**(35,483)**	**(982,094)**	**8,838,847**				
	Present Value From 08/01/2025			**Present Value Rate**	**4.00%**		**5,492,844**	**(19,774)**	**(547,307)**	**4,925,763**				

Appendix C: Findings Including But/For Qualifications

The reasons and facts supporting the findings for the adoption of the Tax Increment Financing Plan for Tax Increment Financing District No. 1-21 (Roers), as required pursuant to *Minnesota Statutes, (M.S.) Section 469.175, Subdivision 3* are as follows:

1. *Finding that Tax Increment Financing District No. 1-21 (Roers) is a housing district as defined in M.S., Section 469.174, Subd. 11.*

   Tax Increment Financing District No. 1-21 (Roers) consists of five (5) parcels. The development will consist of the construction of a 144-unit apartment building with at least 20% of the units affordable at 50% of the AMI or below, all or a portion of which will receive tax increment assistance and will meet income restrictions described in *M.S. Section 469.1761.* At least 20% of the units receiving assistance will be occupied by individuals and families whose incomes are at or below 50% of area median income.

2. *Finding that the proposed development, in the opinion of the City Council, would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future.*

   The proposed development, in the opinion of the City, would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future: This finding is supported by the fact that the development proposed in the TIF Plan is a housing district that meets the City's objectives for development and redevelopment. The cost of land acquisition, site and public improvements and utilities makes this housing development infeasible without City assistance. Due to decreased rental income from affordable units, there is insufficient cash flow to provide a sufficient rate of return, pay operating expenses, and service the debt. This leaves a gap in the funding for the project and makes this housing development feasible only through assistance, in part, from tax increment financing. The Developer was asked for and provided a letter and a proforma as justification that the Developer would not have gone forward without tax increment assistance.

The increased market value of the site that could reasonably be expected to occur without the use of tax increment financing would be less than the increase in market value estimated to result from the proposed development after subtracting the present value of the projected tax increments for the maximum duration of the District permitted by the TIF Plan: This finding is justified on the grounds that the cost of land acquisition, site and public improvements, utilities and construction of affordable housing add to the total development cost. Historically, the costs of site and public improvements as well as reduced rents required for affordable workforce housing in the City have made development infeasible without tax increment assistance. The City reasonably determines that no other development of similar scope is anticipated on this site without substantially similar assistance being provided to the development.

3. *Finding that the TIF Plan for Tax Increment Financing District No. 1-21 (Roers) conforms to the general plan for the development or redevelopment of the municipality as a whole.*

   The City Council reviewed the TIF Plan and found that the TIF Plan conforms to the general development plan of the City.

4. *Finding that the TIF Plan for Tax Increment Financing District No. 1-21 (Roers) will afford maximum opportunity, consistent with the sound needs of the City as a whole, for the development or redevelopment of Development District No. 1 by private enterprise.*

   Through the implementation of the TIF Plan, the City will provide an impetus for residential development, which is desirable or necessary for increased population and an increased need for life-cycle housing within the City. The TIF Plan also helps the EDA meet their goal of providing more affordable housing options in the City.

COTTAGE GROVE ECONOMIC DEVELOPMENT AUTHORITY
CITY OF COTTAGE GROVE
WASHINGTON COUNTY
STATE OF MINNESOTA

RESOLUTION NO. _________

RESOLUTION AUTHORIZING INTERFUND LOAN FOR ADVANCE OF CERTAIN COSTS IN CONNECTION WITH TAX INCREMENT FINANCING DISTRICT NO. 1-21 (ROERS)

BE IT RESOLVED by the Board of Commissioners of the Cottage Grove Economic Development Authority as follows:

Section 1. Recitals.

1.01. The City of Cottage Grove (the "City") and the Cottage Grove Economic Development Authority (the "EDA") have established Tax Increment Financing District No. 1-21 (Roers) (the "TIF District"), pursuant to Minnesota Statutes, Sections 469.174 through 469.1794, as amended (the "TIF Act").

1.02. The EDA has and will incur certain costs (the "Preliminary Costs") related to the TIF District prior to such time as tax increment will be available to pay for such costs.

1.03. Pursuant to Section 469.178, subdivision 7 of the TIF Act, the EDA is authorized to advance or loan money from its general fund or any other fund from which such advances may be legally authorized to finance the Preliminary Costs.

1.04. The EDA will loan funds from its EDA fund (the "EDA Fund"), or any other fund designated by the EDA, to finance the Preliminary Costs in accordance with the terms of this resolution (the "Interfund Loan").

Section 2. Interfund Loan Authorized.

2.01. The EDA hereby authorizes the advance of up to $25,000 from the EDA Fund or other funds or so much thereof as may be required to pay the Preliminary Costs. The EDA shall reimburse itself for such advances together with interest at the rate stated below. Interest accrues on the principal amount from the date of each advance. The maximum rate of interest permitted to be charged is limited to the greater of the rates specified under Minnesota Statutes, Section 270C.40 and Section 549.09 as of the date the loan or advance is authorized, unless the written agreement states that the maximum interest rate will fluctuate as the interest rates specified under Minnesota Statutes, Section 270C.40 or Section 549.09 are from time to time adjusted. The interest rate shall be 5.0 percent and will not fluctuate.

2.02. Principal and interest (the "Payments") on the Interfund Loan shall be paid semiannually on each February 1 and August 1 (each a "Payment Date"), commencing on the first Payment Date on which the EDA has Available Tax Increment (defined below), or on any other dates determined by the EDA's Executive Director, through the date of last receipt of tax increment from the TIF District.

2.03. Payments on the Interfund Loan are payable solely from Available Tax Increment, which shall mean, on each Payment Date, tax increment available after other obligations of the TIF District have been paid, or as determined by the EDA's Executive Director, generated in the preceding six months with respect to the property within the TIF District and remitted to the EDA by Washington County, Minnesota, all in accordance with the TIF Act. Payments shall be applied first to accrued interest, and then to unpaid principal. Payments on the Interfund Loan may be subordinated to any outstanding or future bonds or notes issued by the EDA and secured in whole or in part with tax increment from the TIF District.

2.04. The principal sum and all accrued interest payable under the Interfund Loan are prepayable in whole or in part at any time by the EDA without premium or penalty. No partial prepayment shall affect the amount or timing of any other regular payment otherwise required to be made under the Interfund Loan.

2.05. The Interfund Loan is evidence of an internal borrowing by the EDA in accordance with Section 469.178, subdivision 7 of the TIF Act, and is a limited obligation payable solely from Available Tax Increment pledged to the payment hereof under this resolution. This Interfund Loan and the interest hereon shall not be deemed to constitute a general obligation of the State of Minnesota or any political subdivision thereof, including, without limitation, the EDA or the City of Cottage Grove. Neither the State of Minnesota nor any political subdivision thereof shall be obligated to pay the principal of or interest on the Interfund Loan or other costs incident hereto except out of Available Tax Increment, and neither the full faith and credit nor the taxing power of the State of Minnesota or any political subdivision thereof is pledged to the payment of the principal of or interest on the Interfund Loan or other costs incident hereto. The EDA shall have no obligation to pay any principal amount of the Interfund Loan or accrued interest thereon, which may remain unpaid after the final Payment Date.

2.06. The EDA may at any time determine to forgive the outstanding principal amount and accrued interest on the Interfund Loan to the extent permissible under law.

2.07. The EDA may from time to time amend the terms of this resolution to the extent permitted by law, including without limitation amendment to the payment schedule and the interest rate; provided, however, that the interest rate may not be increased above the maximum specified in Section 469.178, subdivision 7 of the TIF Act.

2.08. EDA officials and consultants are hereby authorized and directed to execute any documents or take any actions necessary or convenient to carry out the intent of this resolution.

Section 3. Effective Date. This resolution is effective upon approval.

Adopted by the Board of Commissioners of the Cottage Grove Economic Development Authority this 9th day of January, 2024.

____

________________, President

ATTEST:

____

Jennifer Levitt, Executive Director

Draft
January 4, 2024

CONTRACT

FOR

PRIVATE DEVELOPMENT

By and Between

THE COTTAGE GROVE ECONOMIC DEVELOPMENT AUTHORITY

and

ROERS COTTAGE GROVE APARTMENTS LLC

This document drafted by:

KENNEDY & GRAVEN, CHARTERED (RHB)
150 South Fifth Street
Suite 700
Minneapolis, MN 55402
(612) 337-9300

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CONTRACT FOR PRIVATE DEVELOPMENT

This Contract for Private Development (the "Agreement") is made this _____ day of _____________, 2024, by and between the Cottage Grove Economic Development Authority, a public body corporate and politic under the laws of Minnesota, having its principal office at 12800 Ravine Parkway South, Cottage Grove, MN 55016 (the "EDA"), and Roers Cottage Grove Apartments LLC, a limited liability company under the laws of Delaware, having its principal office at Two Carlson Parkway #400, Plymouth, Minnesota 55447 (the "Developer").

WITNESSETH:

WHEREAS, the EDA has established Development District No. 1 (the "Development District") and adopted a Redevelopment Plan to encourage development and redevelopment in the Development District; and

WHEREAS, the EDA finds that it is in the public interest, helpful for the tax base and beneficial for the health, safety and welfare of the community as a whole to promote redevelopment of the Development District with, among other uses, projects which include both market rate and affordable housing in locations where it is compatible with surrounding land uses; and

WHEREAS, the EDA finds that, due to market conditions which exist today and are likely to persist for the foreseeable future, the private sector alone is not able to accomplish construction of affordable housing and, therefore, such will not occur without public intervention; and

WHEREAS, to foster the redevelopment described above, the EDA has also established Tax Increment Financing District No. 1-21 (the "TIF District") within the Development District, and adopted a tax increment financing plan related thereto (the "TIF Plan"), all pursuant to Minnesota Statutes, sections 469.174 through 469.1794, as amended (the "TIF Act"); and

WHEREAS, the Developer has proposed to develop the property generally located 6850 East Point Douglas Road S and defined in this Agreement as the Development Property, through construction of a project consisting of approximately 144 multifamily rental apartments and approximately 216 parking spaces, of which 134 will be structured parking (collectively, the "Minimum Improvements"), as more fully described herein; and

WHEREAS, the city of Cottage Grove (the "City") will contribute to the project by selling three parcels to the Developer; and

WHEREAS, the EDA believes the Developer's proposal is in the vital and best interests of Cottage Grove and the health, safety and welfare of its residents, and in accord with the public purposes and provisions of the applicable state and local laws and requirements for which the Development District and the TIF District were established.

NOW, THEREFORE, in consideration of the covenants and the mutual obligations of the parties hereto, each does hereby covenant and agree with the other as follows:

ARTICLE I

Definitions

Section 1.1. Definitions. In this Agreement the following terms shall have the meanings given below unless a different meaning clearly appears from the context:

"Administrative Costs" means the administrative expenses incurred by the EDA regarding the TIF District as defined in section 469.174, subd. 14 of the TIF Act.

"Agreement" means this Agreement, as the same may be from time to time modified, amended, or supplemented.

"Assessment Agreement" means the agreement establishing a Minimum Market Value for the Development Property and Minimum Improvements substantially in the form attached hereto as Exhibit G.

"Assessor" means the Washington County assessor.

"Authorizing Resolution" means the resolution, in substantially the form attached hereto as Exhibit D, which authorizes the issuance of the Note by the EDA Executive Director upon satisfaction of the conditions precedent specified in Section 3.3 of this Agreement.

"Available Tax Increment" means 90 percent of the Tax Increment paid to the EDA by the County with respect to the Development Property and the Minimum Improvements.

"Business Subsidy Act" means Minnesota Statutes, sections 116J.993 through 116J.995, as amended.

"Certificate of Completion" means the certificates, in substantially the form attached hereto as Exhibit C, which will be provided by the EDA to the Developer pursuant to Article IV of this Agreement.

"City" means the city of Cottage Grove, a municipal corporation under the laws of Minnesota.

"City Approvals" means, collectively, the ___________________________ and any other land use approvals or entitlements required by the City prior to the Developer being authorized to construct the Minimum Improvements.

"Construction Plans" means the final plans for construction of the Minimum Improvements which will be submitted by the Developer pursuant to section 4.2 of this Agreement.

"County" means Washington County, Minnesota.

"Declaration" means the Declaration of Restrictive Covenants concerning the Minimum Improvements substantially in the form attached hereto as Exhibit F.

"Developer" means Roers Cottage Grove Apartments LLC, a limited liability company under the laws of Delaware.

"Development District" means the EDA's Development District No. 1.

"Development Property" means the property generally located at 6850 East Point Douglas Road S, which includes three parcels currently owned by the City. The property is legally described in Exhibit A attached hereto.

"Economic Development Authorities Act" or "EDA Act" means Minnesota Statutes, sections 469.090 through 469.108, as amended.

"Economic Development Authority" or "EDA" means the Cottage Grove Economic Development Authority.

"Event of Default" means an action by the Developer or the EDA listed in Article VIII of this Agreement.

"Final Payment Date" means the earliest of (i) the date on which the entire principal of and accrued interest on the Note have been paid in full; or (ii) February 1, 2041 or (iii) the date this Agreement or the Note is terminated or cancelled in accordance with the terms hereof or deemed paid in full; or (iv) the February 1 following the date the TIF District is terminated in accordance with the TIF Act.

"Housing and Redevelopment Authority Act" or "HRA Act" means Minnesota Statutes, sections 469.001 through 469.047, as amended.

"Investment Letter" means the investment letter in substantially the form attached hereto as Exhibit E to be delivered by the Developer to the EDA prior to the issuance of the Note.

"Material Change" means a substantial change in the Construction Plans which requires new or revised City Approvals or one which will likely adversely affect the generation of Tax Increment from the Development Property or Minimum Improvements. Minor changes in the Construction Plans which do not change the building footprint, building materials, number of total units or parking spaces, or the number of affordable units will not constitute a Material Change.

"Minimum Improvements" means the construction of approximately 144 units of market rate and affordable housing and approximately 216 parking spaces, of which 134 will be structured parking. After completion of the Minimum Improvements, the term shall mean the Development Property as improved by the Minimum Improvements.

"Minimum Market Value" means a minimum market value for real estate tax purposes of $32,400,000 with respect to the Development Property and Minimum Improvements as of January 2, 2027 for taxes payable beginning in 2028 through the Termination Date.

"Note" means the taxable Tax Increment Revenue Note, in substantially the form set forth in the Authorizing Resolution, to be delivered by the EDA to the Developer to reimburse the Developer for the Qualifying Costs pursuant to Article III of this Agreement.

"Payment Date" means August 1, 2026 and each February 1 and August 1 thereafter to and including the Final Payment Date.

"Preliminary Plans" means the plans of the Minimum Improvements referenced in Exhibit B attached hereto.

"Public Assistance" means the financial assistance to be offered by the EDA to the Developer through issuance of the Note.

"Qualifying Costs" means the actual cost, in an amount not exceeding $1,960,000, of site acquisition, demolition of existing structures, public infrastructure, site preparation, site improvements, utilities, structured parking and other qualifying expenditures made by the Developer related to completion of the Minimum Improvements which the EDA intends to partially reimburse through the Note.

"Qualifying Tenants" shall have the meaning given to it in the Declaration.

"Redevelopment Plan" means the redevelopment plan for the Development District, as amended.

"Rental Housing Unit" means one of the 144 rental housing units constructed as part of the Minimum Improvements.

"Sale" means any conveyance of fee simple title in and to the Minimum Improvements or the Development Property, as more fully defined in Article VII of this Agreement. For the purposes of section 3.5, the term has the meaning given it in that section.

"State" means the state of Minnesota.

"Substantial Completion" means completion of the Minimum Improvements to a degree allowing the issuance of at least a temporary certificate of occupancy for the Minimum Improvements by the City's building official.

"Tax Increment" means the tax increment, as that term is defined in Minnesota Statutes, section 469.174, subd. 25, which is paid to the EDA by the County with respect to the Minimum Improvements and the Development Property.

"Tax Increment Financing Act" or "TIF Act" means Minnesota Statutes, sections 469.174 through 469.1794, as amended.

"Tax Increment Financing District" or "TIF District" means Tax Increment Financing District No. 1-21 within Development District No. 1, a housing tax increment district within the meaning of section 469.174, subd. 11 of the TIF Act.

"Tax Increment Financing Plan" or "TIF Plan" means the tax increment plan for the TIF District which was approved by the EDA and the City on January 17, 2024.

"Tax Official" means the Assessor, County auditor, County or state board of equalization, the commissioners of revenue of the State, or any State or federal district court, the tax court of the State, or the State Supreme Court.

"Termination Date" means the earlier of: (i) the date the TIF District is terminated in accordance with the TIF Act; or (ii) the date the Note is paid in full.

"Unavoidable Delays" means a failure or delay in a party's performance of its obligations under this Agreement, or during any cure period specified in this Agreement which does not entail the mere payment of money, not within the party's reasonable control including but not limited to acts of God; pandemic or other public health emergency; delays which are the direct result of adverse weather conditions; strikes or other labor troubles; problems with supply chain or materials pricing; fire or other casualty to the Minimum Improvements; litigation commenced by third parties which, by injunction or other similar judicial action, directly results in delays; or, except those of the EDA reasonably contemplated by this Agreement, any acts or omissions of any federal, State or local governmental unit, including delays in permitting not caused by the inaction of the Developer, which directly result in delays in construction of the Minimum Improvements; or any other cause beyond the reasonable control of a party.

Section 1.2. Exhibits. The following exhibits are attached to and by reference made a part of this Agreement:

Exhibit A. Legal Description of Development Property
Exhibit B. List of Preliminary Plans
Exhibit C. Form of Certificate of Completion
Exhibit D. Form of Authorizing Resolution with Note
Exhibit E. Form of Investment Letter
Exhibit F. Form of Declaration of Restrictive Covenants
Exhibit G. Form of Assessment Agreement
Exhibit H. Proforma, Lookback, And Total Development Costs

Section 1.3. Rules of Interpretation. (a) This Agreement shall be interpreted in accordance with and governed by the laws of Minnesota.

(b) The words "herein" and "hereof" and words of similar import, without reference to any particular section or subdivision, refer to this Agreement as a whole rather than any particular section or subdivision hereof.

(c) References herein to any particular section or subdivision hereof are to the section or subdivision of this Agreement as originally executed.

(d) Any titles of the several parts, articles and sections of this Agreement are inserted for convenience and reference only and shall be disregarded in construing or interpreting any of its provisions.

ARTICLE II

Representations and Warranties

Section 2.1. Representations by the EDA. The EDA makes the following representations as the basis for the undertaking on its part herein contained:

(a) The EDA is a public body corporate and politic under the laws of Minnesota. The EDA has the authority to enter into this Agreement and carry out its obligations hereunder.

(b) The EDA has approved execution of this Agreement. The individuals executing this Agreement and related agreements and documents on behalf of the EDA have the authority to do so and to bind the EDA by their actions.

(c) The Development District is a redevelopment project which was created, adopted, approved and revised in accordance with the EDA Act.

(d) The TIF District is a housing tax increment financing district within the meaning of Section 469.174, Subd. 11 of the TIF Act and was created, adopted and approved in accordance with the TIF Act.

(e) There are no previous agreements currently in effect to which the EDA is a party pertaining to the Development Property which would preclude the parties from entering into this Agreement or which would impede the fulfillment of the terms and conditions of this Agreement.

(f) The activities of the EDA pursuant to this Agreement are undertaken pursuant to the Redevelopment Plan and the TIF Plan and are for the purpose of development of the Development Property with a housing project.

(g) The EDA will act in a timely manner to consider all approvals required under this Agreement and will cooperate with the Developer in seeking consideration of any approvals which must be granted by the City and other public entities.

Section 2.2. Representations and Warranties by the Developer. The Developer makes the following representations and warranties as the basis for the undertaking on its part herein contained:

(a) The Developer is a limited liability company validly existing and in good standing under the laws of the state of Delaware. The Developer has the authority to enter into this Agreement and carry out its obligations hereunder.

(b) The persons executing this Agreement and related agreements and documents on behalf of the Developer have the authority to do so and to bind the Developer by their actions.

(c) The Developer will construct the Minimum Improvements in substantial accordance with the terms of this Agreement, the Redevelopment Plan, the TIF Plan, the Construction Plans, the City Approvals and all local, State and federal laws and regulations, including, but not limited to, environmental, zoning, building code and public health laws and regulations.

(d) The Developer will apply for and use all reasonable efforts to obtain, in a timely manner, all other required permits, licenses and approvals from the City, and will meet, in a timely manner, the requirements of all applicable local, State and federal laws and regulations which must be obtained or met before the Minimum Improvements may be lawfully constructed or used for their intended purpose.

(e) The Developer has analyzed the economics of acquisition of the Development Property, the cost of site preparation, site improvements, utilities and construction of the Minimum Improvements and concluded that, absent the Public Assistance to be offered under this Agreement, it would not undertake this project.

(f) Neither the execution and delivery of this Agreement, the consummation of the transactions contemplated hereby, nor the fulfillment of or compliance with the terms and conditions of this Agreement is prevented, limited by or conflicts with or results in a breach of, the terms, conditions or provisions of any organizational documents or any evidence of indebtedness, agreement or instrument of whatever nature to which the Developer is now a party or by which it is bound, or constitutes a default under any of the foregoing.

ARTICLE III

Acquisition of Development Property; Public Assistance

Section 3.1. Acquisition of Development Property. The Development Property is owned in part by the City and in part by a private party. The Developer agrees to acquire fee ownership of all of the Development Property by December 31, 2024. The EDA makes no representations to the Developer regarding the suitability of the Development Property for the use and purpose intended by the Developer.

Section 3.2. Issuance of Pay-As-You-Go Note. (a) In consideration of the Developer incurring the Qualifying Costs while constructing the Minimum Improvements, the EDA will issue to the Developer the Note in the principal amount up to $1,960,000 in substantially the form set forth in the Authorizing Resolution attached hereto as Exhibit D. The EDA and the Developer agree that the consideration from the Developer for the purchase of the Note will consist of the Developer's payment of the Qualifying Costs which are eligible for reimbursement with Tax Increment and which are incurred by the Developer in at least the principal amount of the Note. The Authorizing Resolution will authorize delivery of the Note by the EDA's Executive Director upon satisfaction by the Developer of all the conditions precedent specified in section 3.3 of this Agreement and interest will begin accruing on the date of delivery of the Note. Any statement or estimate of Qualifying Costs will not be treated as a limitation on reimbursement for any single category of Qualifying Costs provided the Qualifying Costs in total do not exceed the principal amount of the Note.

(b) Subject to the provisions thereof, the Note shall bear simple, non-compounding interest at the lesser of i) 7.75% per annum; ii) the actual rate of interest paid if the Developer finances the Note separately from the construction loan or first mortgage; or iii) the actual rate of interest paid by the Developer on the construction financing for the Minimum Improvements. Interest shall be computed on the basis of a 360-day year consisting of twelve 30-day months. Principal and interest on the Note will be payable on each Payment Date; however, the sole source of funds required to be used for payment of the EDA's obligations under this Agreement and under the Note shall be the Available Tax Increment received in the 6-month period preceding each Payment Date. On each Payment Date the Available Tax Increment shall be credited against the accrued interest then due on the Note and then applied to reduce the principal. In the event the Available Tax Increment is not sufficient to pay the accrued interest, the unpaid accrued interest shall be carried forward without interest. All Tax Increment in excess of the Available Tax Increment necessary to pay the principal and accrued interest on the Note is not subject to this Agreement, and the EDA retains full discretion as to any authorized application thereof. To the extent that the Available Tax Increment is insufficient through the Final Payment Date to pay all amounts otherwise due on the Note, said unpaid amounts shall then cease to be any debt or obligation of the EDA whatsoever. No interest will accrue during any period in which payments have been suspended pursuant to this Agreement unless it is determined that the suspension of payments was not warranted under this Agreement either by the EDA or by adjudication.

(c) The Developer understands and acknowledges that the EDA makes no representations or warranties regarding the amount of Available Tax Increment or that revenues pledged to the Note will be sufficient to pay the Note. Any estimates of Tax Increment prepared by the EDA or its municipal advisors in connection with the TIF District or this Agreement are for the benefit of the EDA and are not intended as representations on which the Developer may rely.

(d) The EDA acknowledges that the Developer may assign the Note to a lender that provides the financing for the acquisition of the Development Property or the construction of the Minimum Improvements. The EDA consents to this type of assignment, conditioned upon receipt of an investment letter from the lender in a form reasonably acceptable to the EDA.

Section 3.3. Conditions Precedent to Issuance of the Note. Notwithstanding anything in this Agreement to the contrary, the EDA's Executive Director is authorized to issue the Note to the Developer only after all of the following conditions precedent have been satisfied:

(a) The Developer has acquired all of the Development Property in fee;

(b) The Developer has executed this Agreement and it has been recorded against the Development Property;

(c) The Developer has executed the Declaration of Restrictive Covenants and it has been recorded against the Development Property;

(d) The Developer and the Assessor have executed the Assessment Agreement and it has been recorded against the Development Property;

(e) The Developer has paid the fees provided for in section 9.12 of this Agreement and all other fees due to the EDA and the City;

(f) The Developer has achieved Substantial Completion of all elements the Minimum Improvements and the EDA has issued the Certificates of Completion;

(g) The Developer has submitted evidence, including paid receipts and lien waivers, it has incurred and paid for the Qualifying Costs in an amount not less than the principal amount of the Note;

(h) The Developer has submitted the Investment Letter in the general form attached hereto as Exhibit E;

(i) The Developer has complied with section 3.5(c) of this Agreement;

(j) The EDA has adopted the Authorizing Resolution; and

(k) There has been no Event of Default on the part of the Developer which has not been cured.

Section 3.4. Records. The EDA and its representatives will have the right at all reasonable times after reasonable notice to inspect, examine and copy invoices paid by the Developer and/or its general contractor relating to the Minimum Improvements and the Qualifying Costs for which the Developer will be reimbursed under the Note.

Section 3.5. Lookback Provisions and Reduction of Note.

(a) The Public Assistance offered by the EDA to the Developer under this Agreement is based on certain assumptions regarding likely performance of the Minimum Improvements including operating revenues, expenses and development costs of construction. The EDA and the Developer agree that the actual financial performance of the project will be reviewed at the times described in this section 3.5, and that the Note may be adjusted accordingly. The Developer shall provide the EDA and its municipal advisor (the “Consultant”) with the Pro Forma Financial Statements showing a target Yield on Cost Average Annual Return of 6.5%.

(b) For the purposes of this section 3.5, the following terms have the following meanings:

1. “Calculation Date” means the earlier of (A) 90 days after the earlier of (i) the date of Stabilization; (ii) two years after the date of completion, as evidenced by the EDA’s issuance of a Certificate of Completion, or; (B) at least 30 days prior to sale of the Minimum Improvements

2. “Yield on Cost” means NOI divided by the Total Development Costs less any grants, calculated as set forth in the sample lookback calculation attached hereto as Exhibit H.

3. “Yield on Cost Average Annual Return” means the average of each annual Yield on Cost beginning at the time that the Certificate of Occupancy is issued, as set forth in the sample lookback calculation attached hereto as Exhibit H.

4. “Net Operating Income” or “NOI” means total annual income and other project-derived annual revenue, including payments under the Note, less Operating Expenses, which exclude debt service payments. For purposes of the Yield on Cost Average Annual Return calculation on the Calculation Date, (i) revenue shall be based upon 95% occupancy regardless of whether the average occupancy for the measured period is higher or lower than 95%; (ii) revenue for periods after the Calculation Date shall be inflated by 2.5% annually, and (iii) Operating Expenses for periods after the Calculation Date, shall be inflated by 2.5% annually.

5. “Operating Expenses” means reasonable and customary expenses actually incurred in operating the Minimum Improvements and any other expenses actually incurred by the Developer pursuant to its obligations under this Agreement, determined in the same manner as shown in the Pro Forma Financial Statement, which excludes expenses after debt service, and includes administrative, payroll, marketing, insurance, property management fees, utilities, maintenance, deposits to commercially reasonable capital replacement reserves and payment of real estate taxes, but subject to final review and acceptance by the Consultant.

6. “Pro Forma Financial Statement” means the cash flow pro forma model financial statement projecting future returns, a summary of which is attached to this Agreement as Exhibit H.

7. “Stabilization” means the calendar month-end date on which the Minimum Improvements have first achieved an average occupancy of 90% during the preceding 12 calendar months, or such earlier date as may be requested by the Developer but, for purposes of the Yield on Cost calculation, assuming 95% occupancy notwithstanding actual occupancy rate as of such date.

8. “Sale” means the transfer and/or assignment of more than 51 percent of the Developer’s interest in the Minimum Improvements to an entity which is not an affiliate of the Developer.

9. “Total Development Cost” means the total expenditures to complete the Minimum Improvements inclusive of land acquisition, hard construction costs, soft costs and financing costs as approved by Developer’s senior construction debt lender.

(c) Lookback at Completion of Construction: After completion of the Minimum Improvements but prior to issuance of the Note, the Developer agrees to submit evidence of its actual Total Development Costs to the EDA for comparison with the estimated Total Development Costs listed on Exhibit H. If the actual Total Development Costs are less than the estimated Total Development Costs, the Note will be reduced by the amount by which the estimated costs exceed the actual costs. The Note will not be issued until the EDA has compared actual with estimated Total Development Cost as described herein and adjusted the principal amount of the Note, if necessary.

(d) Lookback on Stabilization: Upon Stabilization, the Developer shall deliver to the EDA and Consultant, at a minimum: (i) the Developer’s actual financial statement, in the same form as the Pro Forma Financial Statement submitted to the EDA pursuant to clause (c) 6 above and showing NOI, and such other financial information as the Consultant shall reasonably require, and (ii) evidence, satisfactory to the EDA, of its actual Total Development Cost.

1. The Yield on Cost Average Annual Return shall be calculated by the Consultant based on the financial statement submitted to the EDA pursuant to clause (d) above, (in the manner the Consultant determines is consistent with the sample lookback calculation attached as Exhibit H, as approved by the EDA).

2. If the Yield on Cost Average Annual Return does not exceed 6.5% over the term of the Note, the Note will not be revised for Lookback on Stabilization.

3. If the Consultant determines, based on such review, that the Yield on Cost Average Annual Return over the term of the Note exceeds 6.5% (to be calculated in a manner comparable to the sample attached as Exhibit H), then the principal balance of the Note will be reduced as determined by the Consultant below:

(A) First, by determining the period over which the Note needs to be outstanding to achieve a 6.5% Yield on Cost Average Annual Return over the term of the Note based on the Consultant’s calculation of the Yield on Cost Average Annual Return.

(B) Second, by determining the present value of actual or projected (with respect to future payments) bi-annual Note payments over the life of the Note through the year determined in clause (A) using the interest rate on the Note as the present value discount rate.

(C) Third, by determining the amount equal to 50% of the difference between the original principal amount of the Note and the present value number calculated in clause (B).

(D) Finally, the new principal amount of the Note will then be determined by adding the amounts in clauses (B) and (C) and rounding to the nearest $1,000 (the "Revised Note Principal Amount").

(E) Such Revised Note Principal Amount will be effective upon delivery to the Developer of a written notice stating the Revised Note Principal Amount as determined by the Consultant in accordance with this section 3.5, accompanied by the Consultant's report. The Developer shall, thereupon, deliver the Note in exchange for a new Note in the Revised Note Principal Amount.

(e) Lookback Upon Sale: If the Developer sells the Minimum Improvements to an unrelated third party or refinances (provided, however, the placement of permanent debt on the Minimum Improvements will not constitute a refinance giving rise to the review as described in this subsection (e)) during the term of the Note, the Developer agrees to provide to the Consultant the Pro Forma Financial Statements for the period from the date of the Certificate of Occupancy through such anticipated Sale or refinance date (provided that the Developer and the EDA agree that the calculation will occur prior to the actual transfer or refinancing). If the Consultant determines, based on such review, that the actual cash flows realized by the Developer have exceeded a Yield on Cost Average Annual Return of 6.5%, then the Note shall be reduced by 50% of the excess amount of such actual cash flows, including a reduction to $0.00. Such reduction will be effective upon delivery to Developer of a written notice stating the amount of such excess amount as determined by the EDA in accordance with this subsection (e), accompanied by the Consultant's report.

Section 3.6. <u>No Business Subsidy</u>. All of the Public Assistance offered by the EDA to the Developer under this Agreement is related to housing. Accordingly, this project qualifies for the exception under Minnesota Statutes, section 116J.993, subd. 3(7) and the Public Assistance is not a business subsidy within the meaning of the Business Subsidy Act.

ARTICLE IV

Construction of Minimum Improvements; Public Improvements; Income Restrictions

Section 4.1. <u>Construction of Minimum Improvements</u>. The Developer agrees that it will construct the Minimum Improvements on the Development Property substantially in accordance with the Preliminary Plans and the Construction Plans. The Developer acknowledges that, in addition to the requirements of this Agreement, construction of the Minimum Improvements will necessitate compliance with the City Approvals and possible approvals by other governmental agencies. To the extent such approvals have not already been obtained, the Developer agrees to submit in a timely manner all applications for and pursue to their conclusion all other approvals needed prior to constructing the Minimum Improvements.

Section 4.2. Preliminary Plans and Construction Plans. (a) The Developer has submitted and the EDA has approved the Preliminary Plans listed in Exhibit B attached hereto. Prior to beginning construction on the Minimum Improvements, the Developer shall submit dated Construction Plans to the EDA. The Construction Plans shall provide for the construction of the Minimum Improvements and shall be in substantial conformity with the Preliminary Plans and this Agreement. The EDA will approve the Construction Plans, if they (1) are substantially consistent with the Preliminary Plans; (2) conform to all applicable federal, State and local laws, ordinances, rules and regulations; (3) are adequate to provide for the construction of the Minimum Improvements; (4) conform to the State building code; and (5) if there has occurred no uncured Event of Default on the part of the Developer. Except as otherwise set forth herein, no approval by the EDA shall relieve the Developer of the obligation to comply with the terms of this Agreement and the terms of all applicable federal, State and local laws, ordinances, rules and regulations in the construction of the Minimum Improvements. Except as otherwise set forth herein, no approval by the EDA shall constitute a waiver of an Event of Default. The EDA shall use good faith efforts to review the Construction Plans and either approve or reject them in writing within 15 business days after receipt. Any rejection, in whole or in part, shall set forth in detail the reasons for rejection.

(b) If the Developer desires to make any Material Change in the Construction Plans after approval, the Developer shall submit the proposed change to the EDA for its approval. If the proposed change is consistent with the Preliminary Plans or is otherwise acceptable to the EDA and meets all other requirements of section 4.2(a) above, the EDA shall approve the proposed change. Such change in the Construction Plans shall be deemed approved by the EDA unless rejected, in whole or in part, by written notice by the EDA to the Developer, setting forth in detail the reasons for rejection. Such rejection shall be made within 15 business days after receipt by the EDA of the written notice of such change from the Developer.

Section 4.3. Commencement and Completion of Construction; Repair. (a) Subject to Unavoidable Delays, the Developer agrees to commence construction of the Minimum Improvements by December 31, 2024. All work with respect to the Minimum Improvements to be constructed or provided by the Developer on the Development Property shall be in substantial conformity with the Construction Plans. The Developer shall make such periodic reports to the EDA regarding construction of the Minimum Improvements as the EDA deems necessary or helpful in order to monitor progress on construction of the Minimum Improvements. Subject to Unavoidable Delays, the Developer agrees to have achieved Substantial Completion of the Minimum Improvements by December 31, 2026.

(b) The Developer agrees to notify the EDA immediately in the case of damage exceeding $250,000 in amount to, or destruction of, the Minimum Improvements or any portion thereof resulting from fire or other casualty. In the event this type of damage or destruction occurs, the Developer will forthwith repair, reconstruct and restore the Minimum Improvements to substantially the same or an improved condition or value as it existed prior to the event causing the damage and, to the extent necessary to accomplish the repair, reconstruction and restoration, the Developer will apply the net proceeds of any insurance relating to the damage received by the Developer to the payment or reimbursement of the costs thereof. The Developer will complete the repair, reconstruction and restoration of the Minimum Improvements, regardless of whether the net proceeds of insurance received by the Developer is sufficient to pay for the same. Any net proceeds remaining after completion of the repairs, construction and restoration will be the property of the Developer.

(c) Notwithstanding anything to the contrary contained in this Agreement, in the event of damage to the Minimum Improvements in excess of $250,000 and the Developer fails to complete repair, reconstruction or restoration of the Minimum Improvements within 18 months from the date of damage, the EDA may, at its option, terminate the Note as provided in Section 8.2 hereof. If the EDA terminates the Note, the termination will constitute the EDA's sole remedy under this Agreement as a result of the Developer's failure to repair, reconstruct or restore the Minimum Improvements. Thereafter, the EDA will have no further obligations to make any payments under the Note.

Section 4.4. Certificate of Completion. (a) After Substantial Completion of the Minimum Improvements in accordance with the Construction Plans and at the written request of the Developer, the EDA will, within 20 days thereafter, furnish the Developer with a Certificate of Completion in the form of Exhibit C attached hereto. Such Certificate of Completion by the EDA shall be a conclusive determination of satisfaction and termination of the agreements and covenants in this Agreement with respect to the obligations of the Developer to construct the Minimum Improvements and the dates for the beginning and completion thereof.

(b) The Certificate of Completion shall be in the form set forth in Exhibit C and will enable it to be recorded in the proper County office for the recordation of deeds and other instruments pertaining to the Development Property. If the EDA shall refuse to provide a Certificate of Completion in accordance with the provisions of this section 4.4, the EDA shall promptly notify Developer within the same 20 day period following receipt of request by the Developer for the Certificate of Completion, and such notification from the EDA shall include a written statement, indicating in clear detail in what respects the Developer has failed to complete the Minimum Improvements substantially in accordance with the Construction Plans and what measures or acts will be necessary, in the opinion of the EDA, for the Developer to take or perform in order to obtain such certification. If the EDA fails to issue such a written statement within such 20-day period, the EDA shall be deemed to have waived its right to do so and shall be deemed to have issued a Certificate of Completion to the Developer. The Developer shall have 90 days following receipt of the EDA's written response to cure or agree to terms with the EDA regarding issues to be resolved prior to the Developer obtaining a Certification of Completion from the EDA.

Section 4.5. City Approvals. Construction of the Minimum Improvements will require obtaining and complying with the City Approvals. The Developer and the City will enter into a separate development agreement regarding the City Approvals and any public improvements which will be required to use the Minimum Improvements.

Section 4.6. Declaration Regarding Income Restrictions. The Developer agrees that the Minimum Improvements will be subject to the following tenant income restrictions:

(a) The Developer will cause at least 29 units (20.1 percent) of the Rental Housing Units in the Minimum Improvements to be occupied by Qualifying Tenants whose household income is 50 percent or less of the area median gross income, and at least another eight units (5.6 percent) of the Rental Housing Units to be occupied by Qualifying Tenants whose household income is 60 percent or less of area median income, as further described in the Declaration attached hereto as Exhibit F. The Rental Housing Units which will be made available to Qualifying Tenants will include 13 one-bedroom units, 13 two-bedroom units and 11 three-bedroom units. Prior to any payment under the Note, the Developer will deliver the executed Declaration to the EDA in recordable form. The Declaration shall be in effect for a minimum of 26 years from the date of issuance of Certificate of Completion for the Minimum Improvements.

(b) As a condition to initial and continuing occupancy, each person who is intended to be a Qualifying Tenant will be required annually to sign and deliver to the Developer a certification in which the prospective Qualifying Tenant certifies as to his or her income. In addition, the person will be required to provide whatever other information, documents, or certifications are reasonably deemed necessary by the EDA's Executive Director to substantiate his or her income, on an ongoing annual basis, and to verify that the tenant continues to be a Qualifying Tenant. Certifications will be maintained on file by the Developer with respect to each Qualifying Tenant who resides in a Rental Housing Unit or resided therein during the immediately preceding calendar year.

(c) The form of lease to be utilized by the Developer in renting any Rental Housing Unit to any person who is intended to be a Qualifying Tenant must provide for termination of the lease and consent by the person to immediate eviction for failure to qualify as a Qualifying Tenant as a result of any material misrepresentation made by the person with respect to income.

(d) On or before April 15 of each year during the term of the Declaration, commencing on the first April 15 after issuance of the Certificate of Completion for the Minimum Improvements, the Developer must submit evidence of tenant incomes, showing that tenants of at least 37 of the Rental Housing Units meet the income restrictions set forth in the Declaration.

(e) While the covenants in this section 4.6 are in effect, the EDA and its representatives will have the right at all reasonable times, and after reasonable notice, to inspect and to examine and copy all books and records of the Developer and its successors and assigns relating to the covenants described in this section 4.6 and in the Declaration.

(f) The Developer acknowledges that the primary purpose for requiring compliance by the Developer with the rental restrictions provided in this Agreement and the Declaration is to ensure compliance of the Minimum Improvements with the income covenants required under the TIF Act for a housing tax increment financing district. If prior to the Termination Date the EDA reasonably determines, based on the reports submitted by the Developer or otherwise that the residential portion of the project no longer meets the requirements of a housing tax increment financing district, such event will be deemed an Event of Default by the Developer under this Agreement; provided, however, that the EDA may not terminate this Agreement so long as the determination is being contested in good faith and has not been finally adjudicated.

(g) The Developer covenants and agrees that the Developer will cause or require as a condition precedent to any conveyance, transfer, assignment, or any other disposition of the

Minimum Improvements prior to the Termination Date that the transferee assume in writing, in a form acceptable to the EDA, all duties and obligations of the Developer under this section 4.7 and the Declaration regarding income restrictions and verification of Qualified Tenants by means of an assumption agreement acceptable to the EDA. The Developer will deliver an executed copy of the assumption agreement to the EDA prior to the transfer.

ARTICLE V

Insurance

Section 5.1. Insurance. The Developer or its general contractor will provide and maintain, at all times during the process of constructing the Minimum Improvements, a Special Form Basis Insurance Policy and, from time to time during that period, at the request of the EDA no more frequently than once annually, furnish the EDA with proof of payment of premiums on policies covering the following:

(1) Builder's risk insurance, written on the so-called "Builder's Risk – Completed Value Basis," in an amount equal to one hundred percent (100%) of the insurable value of the applicable portion of the Minimum Improvements at the date of completion, and with coverage available in reporting form on the so-called "special" form of policy;

(2) Commercial general liability insurance (including operations, contingent liability, operations of subcontractors, completed operations and contractual liability insurance) with limits against bodily injury and property damage of not less than $1,000,000 for each occurrence (to accomplish the above-required limits, an umbrella excess liability policy may be used); and

(3) Workers' compensation insurance, with statutory coverage.

Section 5.2. Evidence of Insurance. All insurance required in this Article V of this Agreement must be taken out and maintained in responsible insurance companies selected by the Developer which are authorized under the laws of Minnesota to assume the risks covered thereby. In lieu of separate policies, the Developer may maintain a single policy, blanket or umbrella policies, or a combination thereof, having the coverage required herein. Upon written request by the EDA, the Developer agrees to deposit with the EDA a certificate or certificates or binders of the respective insurers stating that such insurance is in force and effect.

ARTICLE VI

Payment of Taxes; Assessment Agreement; Use of Tax Increment

Section 6.1. Taxes. The Developer agrees that prior to the Termination Date: (i) it will not seek administrative or judicial review of the applicability of any tax statute determined by any Tax Official to be applicable to the Minimum Improvements or the Development Property or raise the inapplicability of any such tax statute as a defense in any proceedings, including delinquent tax proceedings; (ii) it will not seek administrative or judicial review of the constitutionality of any tax statute determined by any Tax Official to be applicable to the Minimum Improvements or the Development Property or raise the unconstitutionality of any such tax statute as a defense in any proceedings, including delinquent tax proceedings; and (iii) it will not cause a reduction in the Minimum Market Value assessed in respect of the Minimum Improvements or the Development Property below the Minimum Market Value described in section 6.2(a) of this Agreement through:

(a) willful destruction of the Minimum Improvements or any part thereof;

(b) failure to reconstruct damaged or destroyed property pursuant to Section 4.3 of this Agreement;

(c) a request to the Assessor to reduce the Minimum Market Value of all or any portion of the Minimum Improvements or the Development Property;

(d) a petition to the board of equalization of the County to reduce the Minimum Market Value of all or any portion of the Minimum Improvements or the Development Property;

(e) a petition to the board of equalization of the State or the commissioner of revenue of the State to reduce the Minimum Market Value of all or any portion of the Minimum Improvements or the Development Property;

(f) an action in a district court of the State or the tax court of the State seeking a reduction in the Minimum Market Value of the Minimum Improvements or the Development Property;

(g) an application to the commissioner of revenue of the State or to any local taxing jurisdiction requesting an abatement or deferral of real estate taxes on the Minimum Improvements or the Development Property;

(h) a transfer of the Minimum Improvements or the Development Property, or any part thereof, to an entity exempt from the payment of real estate taxes under State law and that entity applies for tax exemption; or

(i) any other proceedings, whether administrative, legal or equitable, with any administrative body within the County or the State or with any court of the State or the federal government.

Section 6.2. Assessment Agreement. (a) At the time of execution of this Agreement, the EDA and the Developer shall execute an Assessment Agreement for the Development Property and Minimum Improvements. The Assessment Agreement shall specify a Minimum Market Value of $32,400,000 as of January 2, 2027 for taxes payable beginning in 2028 through the Termination Date, notwithstanding any failure to start or complete the Minimum Improvements by said date or any failure to reconstruct the Minimum Improvements after damage or destruction before the Termination Date.

(b) The Assessment Agreement shall be substantially in the form attached hereto as Exhibit G. Nothing in the Assessment Agreement shall limit the discretion of the Assessor to assign a market value to the Minimum Improvements or the Development Property in excess of the Minimum Market Value nor prohibit the Developer from seeking through the exercise of legal or administrative remedies a reduction in any increase in the market value established pursuant to section 6.2(a) of this Agreement; provided, however, that the Developer shall not seek a reduction of such market value below the Minimum Market Value set forth in the Assessment Agreement in any year so long as such Assessment Agreement shall remain in effect. The Assessment Agreement shall remain in effect until the Termination Date; provided that if at any time before the Termination Date the Assessment Agreement is found to be terminated or unenforceable by any Tax Official or court of competent jurisdiction, the Minimum Market Value described in this section 6.2 shall remain an obligation of the Developer or its successors and assigns (whether or not such value is binding on the Assessor), it being the intent of the parties that the obligation of the Developer to maintain, and not seek reduction of, the Minimum Market Value specified in this Section 6.2 is an obligation under this Agreement as well as under the Assessment Agreement, and is enforceable by the EDA against the Developer, its successors and assigns, in accordance with the terms of this Agreement and the Assessment Agreement. Notwithstanding anything contained in this Agreement to the contrary, the Developer shall not be precluded from contesting the Minimum Market Value if the Minimum Improvements or the Development Property, or any substantial portion thereof, is acquired by a public entity through eminent domain prior to the Termination Date.

Section 6.3. <u>Suspension or Reduction of Payment on Note</u>. a) The Developer may, at any time following the issuance of the Certificate of Completion, seek through petition or other means to have the Assessor's estimated market value for the Minimum Improvement or Development Property reduced to not less than the Minimum Market Value. Such activity must be preceded by written notice from the Developer to the EDA indicating its intention to do so.

b) Upon receiving notice that the Developer seeks a reduction in the Minimum Market Value of all or any portion of the Minimum Improvements or Development Property, or otherwise learning of the Developer's intentions, the EDA may suspend or reduce payments due under the Note except for the portion of such payments from Available Tax Increment, based on the Minimum Market Value, or the Assessor's estimated market value for the year in which the Minimum Improvements have been completed, if less than Minimum Market Value, until the actual amount of the reduction in market value is determined, whereupon the EDA will make the suspended payments less any amount that the EDA is required to repay the County as a result any retroactive reduction in market value of the Minimum Improvements or Development Property. During the period that the payments are subject to suspension, the EDA may make partial payments on the Note, from the amounts subject to suspension, if it determines, in its sole and absolute discretion, that the amount retained will be sufficient to cover any repayment which the County may require. The EDA's suspension or reduction of payments of the Note pursuant to this Section 6.3 shall not be considered a default under section 8.1 hereof.

Section 6.4. <u>Right to Collect Delinquent Taxes and Special Assessments</u>. The Developer acknowledges that at all times prior to the Termination Date the EDA shall have the right to sue the Developer or its successors and assigns to collect delinquent real estate taxes and any penalty or interest thereon and special assessments due on the Development Property or the Minimum Improvements and to pay over the same as a tax payment to the County auditor. In any such suit in which the EDA prevails, the EDA shall also be entitled to recover its reasonable out-of-pocket costs and expenses, including attorney fees.

Section 6.5. Use of Tax Increment. The TIF District is a housing renovation tax increment financing district within the meaning of section 469.174, subd. 11 of the TIF Act. Except for payments to the Developer as provided for in this Agreement and the Note, the EDA shall be free to use any Tax Increment it receives from the County with respect to the TIF District for any purpose for which such increment may lawfully be used under the TIF Act and the EDA shall have no obligations to the Developer with respect to the use of such Tax Increment.

ARTICLE VII

Restrictions on Sale of Minimum Improvements; Termination of Agreement

Section 7.1. Prohibition Against Sale of Minimum Improvements.

(a) The Developer represents and agrees that its use of the Development Property and its other undertakings pursuant to the Agreement, are, and will be, used for the purpose of construction of the Minimum Improvements on the Development Property and not for speculation in land holding. The Developer represents and agrees that, prior to the issuance of a Certificate of Completion regarding the Minimum Improvements, there shall be no Sale of all or any portion of the Development Property or the Minimum Improvements constructed thereon nor shall the Developer suffer any such Sale to be made, without the prior written approval of the EDA, which approval shall not be unreasonably withheld; provided however, notwithstanding the foregoing, the Developer shall be entitled to lease Rental Housing Units to third parties without the prior written approval of the EDA. As a condition of approval of any such Sale, the EDA shall require, at a minimum, that the proposed transferee shall have entered into an agreement whereby the transferee expressly assumes all of the Developer's obligations under this Agreement. Any such agreement shall include the EDA as a party and otherwise be in form and substance reasonably acceptable to the EDA.

(b) Notwithstanding anything in this Agreement to the contrary, Developer is authorized, without the approval of EDA, to obtain construction and permanent financing for the Minimum Improvements and to mortgage the Development Property and collaterally assign payments under the Note to provide security for the construction and permanent financing, and the EDA shall subordinate this Agreement to such mortgage. The Assessment Agreement will not be subordinated in connection with any such mortgage.

(c) After a Certificate of Completion has been issued, Developer or other transferor may freely, without the approval of EDA, sell or transfer the Minimum Improvements or the Development Property to any person at any time. In connection with such a sale or transfer, Developer may assign its interest in this Agreement and the Note to the buyer or transferee, provided that such buyer or transferee assumes and agrees to perform the obligations of Developer hereunder. In the event that the Developer or other transferor enters into an agreement to sell or transfer the Minimum Improvements or the Development Property or any portion to any person, then, within 15 days after request, the EDA shall acknowledge and certify certain facts in connection with this Agreement and the status of obligations of Developer/transferor under this Agreement. The EDA shall provide this certification to Developer/transferor and any potential buyer or transferee of the Minimum Improvements or the Development Property or any portion thereof. The certification shall reference the following: (1) that the Developer/transferor and transferee may rely on the representations and agreements made by the EDA in the certification; (2) the status of the completion of the construction obligations of the Minimum Improvements; (3) the amount of payments made under the Note and the outstanding principal balance of the Note, if any, and that any amounts owed under the Note will be paid to Developer and not the transferee unless the rights under the Note are specifically assigned to the transferee; (4) whether or not there exists any defaults, events of default, or conditions which with the passage of time or giving of notice would constitute a default under this Agreement; (5) that the Note is subject to the Lookback Upon Sale provisions of section 3.5(e) of this Agreement; and (6) such other matters as may be reasonably requested by the Developer or the transferee.

Notwithstanding the foregoing, prior written approval from the EDA shall not be required for any transfer or assignment prior to or after issuance of the Certificate of Completion: (i) to any entity controlling, controlled by or under common control with the Developer; (ii) to any entity in which the majority equity interest is owned by the parties that have a majority equity interest in the Developer; or (iii) that after giving effect to such transfer or assignment does not result in a change in control of the Developer.

Section 7.2. Termination of Agreement. Upon the occurrence of the Termination Date, the parties agree to execute and record a document terminating this Agreement.

ARTICLE VIII

Events of Default

Section 8.1. Events of Default Defined. Each and every one of the following shall be an Event of Default under this Agreement:

(a) Failure by the Developer to acquire all of the Development Property in fee as required by this Agreement;

(b) Failure by the Developer to seek such approvals or permits from the EDA and the City and other entities which are necessary to construct the Minimum Improvements;

(c) Failure by the Developer to pay real estate taxes or special assessments on the Minimum Improvements or the Development Property as they become due;

(d) Failure by the Developer to commence and complete construction of the Minimum Improvements pursuant to the terms, conditions and limitations of Article IV of this Agreement, including the timing thereof, unless such failure is caused by an Unavoidable Delay or waived by the Developer and the EDA;

(e) If the Developer shall file a petition in bankruptcy, or shall make an assignment for the benefit of its creditors or shall consent to the appointment of a receiver;

(f) If there is a violation by the Developer of the Declaration with regard to the required number or income limitations of the Qualifying Tenants or if the Developer fails to deliver the annual rent and income reports required by the Declaration;

(g) Prior to the Termination Date, an appeal or challenge by the Developer to the Minimum Market Value under this Agreement or the Assessment Agreement, except as otherwise permitted under section 6.3 of this Agreement;

(h) Sale of the Minimum Improvements or the Development Property, or any portion thereof, by the Developer in violation of section 3.5 or Article VII of this Agreement; or

(i) Failure by either party to observe or perform any material covenant, condition, obligation or agreement on its part to be observed or performed under this Agreement, including but not limited to any action necessary for the establishment of the TIF District.

Section 8.2. Remedies on Default. Whenever any Event of Default referred to in section 8.1 of this Agreement occurs, the non-defaulting party may take any one or more of the following actions after providing 30 days written notice to the defaulting party of the Event of Default, but only if the Event of Default has not been cured within said 30 days from the receipt of Notice or, if the Event of Default is by its nature incurable within 30 days, the defaulting party does not provide assurances to the non-defaulting party reasonably satisfactory to the non-defaulting party that the Event of Default will be cured and will be cured as soon as reasonably possible:

(a) Suspend its performance under this Agreement until it receives assurances from the defaulting party, deemed adequate by the non-defaulting party, that the defaulting party will cure its default and continue its performance under this Agreement;

(b) Prior to issuance of the Certificate of Completion, cancel and rescind or terminate this Agreement;

(c) If the default occurs after issuance of a Certificate of Completion, the EDA may suspend payments under the Note, subject to the provisions of section 8.3 of this Agreement; and

(d) Take whatever action, including legal or administrative action, which may appear necessary or desirable to the non-defaulting party to collect any payments due under this Agreement, including reimbursement of the Public Assistance previously granted, or to enforce performance and observance of any obligation, agreement, or covenant of the defaulting party under this Agreement.

The EDA recognizes and agrees that any lender who is the beneficiary of a mortgage recorded against the Development Property, shall have the opportunity, but not the obligation, to cure any default by the Developer under the same terms as the Developer, and any cure by such lender shall be accepted or rejected as if made by the Developer.

Section 8.3. Remedies after Certificate of Completion. The EDA may exercise its rights under section 8.2(c) only for the following Events of Default:

(a) the Developer fails to pay real estate taxes or special assessments on the Minimum Improvements or the Development Property or any part thereof when due and the taxes or special assessments have not been paid, or provision satisfactory to the EDA made for their payment, within 45 days after written demand by the EDA to do so; or

(b) the Developer takes or permits an action prohibited by section 6.1 of this Agreement; or

(c) the Developer transfers the Minimum Improvements or the Development Property, or any part thereof, to an entity exempt from the payment of real estate taxes under State law; or

(d) the Developer fails to comply with the income restrictions or to deliver annual rent and income reports as provided in Section 4.6 of this Agreement and the Declaration; provided that, upon the Developer's failure to provide annual reports, if uncured after 30 days' written notice to the Developer of the failure, the EDA may only suspend payments under the Note until the Developer delivers said reports. If the Developer fails to deliver rent and income reports for a period of six months following the date the reports are due after written notice to the Developer of the failure, the EDA may terminate the Note and the TIF District; or

(e) the Developer fails to comply with the Lookback Upon Sale provisions of section 3.5(e) of this Agreement; or

(f) a final determination by the State or a court of competent jurisdiction that the TIF District does not or no longer qualifies as a housing tax increment financing district under the TIF Act.

Section 8.4. No Remedy Exclusive. No remedy conferred herein or reserved to the parties is intended to be exclusive of any other available remedy or remedies, but each and every remedy shall be cumulative and shall be in addition to every other remedy given under this Agreement or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the EDA or the Developer to exercise any remedy reserved to it, it shall not be necessary to give notice, other than such notice as may be required under this Agreement.

Section 8.5. No Additional Waiver Implied by One Waiver. In the event any covenant or agreement contained in this Agreement should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other concurrent, previous or subsequent breach hereunder.

ARTICLE IX

Additional Provisions

Section 9.1. Conflict of Interests; Representatives Not Individually Liable. No member, official, or employee of the EDA shall have any personal financial interest, direct or indirect, in the Agreement, nor shall any such member, official, or employee participate in any decision relating to the Agreement which affects his or her personal financial interests or the interests of any corporation, partnership, or association in which he or she is, directly or indirectly, interested. No member, official, or employee of the EDA shall be personally liable to the Developer, or any successor in interest, in the event of any default or breach or for any amount which may become due or on any obligations under the terms of this Agreement.

Section 9.2. Equal Employment Opportunity. The Developer, for itself and its successors and assigns, agrees that during the construction of the Minimum Improvements provided for in this Agreement, it will comply with all applicable equal employment and nondiscrimination laws and regulations.

Section 9.3. Restrictions on Use. The Developer agrees that through the Termination Date it will use the Minimum Improvements for only such uses as permitted under the City's land use regulations and in compliance with the City Approvals.

Section 9.4. Notices and Demands. Except as otherwise expressly provided in this Agreement, any notice, demand, or other communication under the Agreement or any related document by either party to the other shall be sufficiently given or delivered if it is dispatched by registered or certified United States mail, postage prepaid, return receipt requested, or delivered personally to:

(a) in the case of the Developer:

Roers Cottage Grove Apartments LLC
Two Carlson Parkway #400
Plymouth, Minnesota 55447
Attn: Brian Roers and Logan Schmidt

and with a copy to:

Winthrop & Weinstine, P.A.
225 South Sixth Street, Suite 3500
Minneapolis, Minnesota 55402
Attention: Joseph Phelps

(b) in the case of the EDA: Cottage Grove Economic Development Authority
12800 Ravine Parkway South
Cottage Grove, MN 55016
Attn: Executive Director

and with a copy to: Kennedy & Graven, Chartered
150 South Fifth Street, Suite 700
Minneapolis, MN 55402
Attn: Ronald H. Batty

or at such other address with respect to either such party as that party may, from time to time, designate in writing and forward to the other as provided in this section 9.4.

Section 9.5. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall constitute one and the same instrument.

Section 9.6. Disclaimer of Relationships. The Developer acknowledges that nothing contained in this Agreement nor any act by the EDA or the Developer shall be deemed or construed by the Developer or by any third person to create any relationship of third-party beneficiary, principal and agent, limited or general partner, or joint venture between the EDA and the Developer.

Section 9.7. Amendment. This Agreement may be amended only by the written agreement of the parties.

Section 9.8. Recording; Agreement Runs with the Land. The EDA intends to record this Agreement among the County land records and the Developer agrees to pay for the cost of recording same. This Agreement runs with the Development Property and shall bind the successors and assigns of the EDA and the Developer.

Section 9.9. Release and Indemnification Covenants. a) Except for any negligent act of the following named parties, the Developer hereby releases from and covenants and agrees that the EDA, and its governing body members, officers, agents, servants, and employees (the "Indemnified Parties") shall not be liable for, and hereby agrees to indemnify and hold harmless the Indemnified Parties against any loss or damage to property or any injury to or death of any person occurring at or about or resulting from any defect in the Minimum Improvements.

b) The aforesaid indemnification shall not apply to willful misrepresentation or any willful or wanton misconduct or negligence of the EDA.

c) Except for any negligent or willful act of the EDA, the Indemnified Parties shall not be liable for any damage or injury to the persons or property of the Developer or its partners, officers, agents, servants or employees or any other person who may be about the Minimum Improvements or the Minimum Improvements due to any act of negligence of any person.

Section 9.10. Titles of Articles and Sections. Any titles of the several parts, articles, and sections of this Agreement are inserted for convenience of reference only and shall be disregarded in construing or interpreting any of its provisions.

Section 9.11. Governing Law; Venue. This Agreement shall be construed in accordance with the laws of Minnesota. Any dispute arising from this Agreement shall be heard in the State or federal courts of Minnesota, and all parties waive any objection to the jurisdiction thereof, whether based on convenience or otherwise.

Section 9.12. Fees and Charges. The Developer agrees to reimburse the EDA for all reasonable fees or costs for legal, municipal advisory, engineering, planning or other staff time for modification of the Redevelopment Plan and preparation of the TIF Plan and related documents; the analysis, drafting or negotiating this Agreement and related documents and the recording thereof; and for reviewing any plans regarding the Minimum Improvements submitted in satisfaction of this Agreement. The Developer also agrees to reimburse the City for all reasonable fees and costs incurred by the City in connection with construction of the Public Improvements and the City Approvals. The Developer and its representatives will have the right at all reasonable times after reasonable notice to inspect, examine and copy invoices and supporting documents relating to the fees and charges to be reimbursed pursuant to this Section.

Section 9.13. Notice of Unavoidable Delays. Within ten (10) days after a party impaired by an Unavoidable Delay has knowledge of the delay it shall give the other party notice of the delay and the estimated length of the delay, and shall give the other party notice of the actual length of the delay within ten (10) days after the cause of the delay has ceased to exist. The parties shall pursue with reasonable diligence the avoidance and removal of any such delay. Unavoidable Delay shall not extend performance of any obligation required under this Agreement unless the notices required in this section are given as herein required.

* * * * ** * *

IN WITNESS WHEREOF, the EDA and the Developer have caused this Agreement to be duly executed in their names and behalves on or as of the date first above written.

COTTAGE GROVE ECONOMIC
DEVELOPMENT AUTHORITY

By:

_________, President

By:

_________, Executive Director

STATE OF MINNESOTA)
) ss.
COUNTY OF _________)

The foregoing instrument as acknowledged before me this _____ day of ____________, 2024, by __________________, the President of the Cottage Grove Economic Development Authority, a public body corporate and politic under the laws of Minnesota, on behalf of the Economic Development Authority.

____
Notary Public

STATE OF MINNESOTA)
) ss.
COUNTY OF _________)

The foregoing instrument as acknowledged before me this _____ day of ____________, 2024, by __________________, the Executive Director of the Cottage Grove Economic Development Authority, a public body corporate and politic under the laws of Minnesota, on behalf of the Economic Development Authority.

____
Notary Public

ROERS COTTAGE GROVE APARTMENTS LLC, a Delaware limited liability company

By: Roers Cottage Grove Apartments Manager LLC, a Minnesota limited liability company
Its: Manager

By: Roers Companies Project Holdings LLC, a Minnesota limited liability company
Its: Manager

By: ____________________________
Name: Shane E. LaFave
Its: Vice President of Development

STATE OF MINNESOTA)
) ss.
COUNTY OF _________)

The foregoing instrument was executed before me this _____ day of _______________, 2024, by Shane E. LaFave, the Vice President of Development of Roers Companies Project Holdings LLC, a Minnesota limited liability company, the Manager of Roers Cottage Grove Apartments Manager LLC, a Minnesota limited liability company, the Manager of Roers Cottage Grove Apartments LLC, a Delaware limited liability company, on behalf of the company.

____
Notary Public

EXHIBIT A TO
CONTRACT FOR PRIVATE DEVELOPMENT

LEGAL DESCRIPTION OF DEVELOPMENT PROPERTY

The Development Property is legally described as follows:

07 027 21 44 0025
07 027 21 44 0019
07 027 21 44 0021
07 027 21 44 0022
07 027 21 44 0026

[legal descriptions to be included]

EXHIBIT B TO
CONTRACT FOR PRIVATE DEVELOPMENT

LIST OF PRELIMINARY PLANS

The following constitute the Preliminary Plans of the Minimum Improvements:

[to be included]

EXHIBIT C TO
CONTRACT FOR PRIVATE DEVELOPMENT

FORM OF
CERTIFICATE OF COMPLETION

WHEREAS, the Cottage Grove Economic Authority, a public body corporate and politic under the laws of Minnesota (the “EDA”), and Roers Cottage Grove Apartments LLC, a limited liability company under the laws of Delaware (the “Developer”), have entered into a certain Contract for Private Development (the “Agreement”) dated the ____ day of ____________, 2023, and recorded in the office of the ____________ in Washington County, Minnesota, as Document No. __________, which Agreement contained certain covenants and restrictions regarding completion of the Minimum Improvements, as defined in the Agreement; and

WHEREAS, the Developer has performed said covenants and conditions in a manner deemed sufficient by the EDA to permit the execution and recording of this certification.

NOW, THEREFORE, this is to certify that all construction of the Minimum Improvements specified to be done and made by the Developer has been completed and the ___________ in Washington County, Minnesota, is hereby authorized to accept for recording and to record the filing of this instrument, to be a conclusive determination of the satisfactory termination of the covenants and conditions relating to completion of the _____ portion of the Minimum Improvements.

Dated: _______________.

COTTAGE GROVE ECONOMIC DEVELOPMENT AUTHORITY

By:

_________, President

By:

_________, Executive Director

STATE OF MINNESOTA)
) ss.
COUNTY OF _________)

The foregoing instrument as acknowledged before me this _____ day of ____________, 202__, by __________________, the President of the Cottage Grove Economic Development Authority, a public body corporate and politic under the laws of Minnesota, on behalf of the EDA.

____
Notary Public

STATE OF MINNESOTA)
) ss.
COUNTY OF _________)

The foregoing instrument as acknowledged before me this _____ day of ____________, 202__`, by __________________, the Executive Director of the Cottage Grove Economic Development Authority, a public body corporate and politic under the laws of Minnesota, on behalf of the EDA.

____
Notary Public

This Instrument was Drafted by:
KENNEDY & GRAVEN, CHARTERED (RHB)
150 South Fifth Street, Suite 700
Minneapolis, MN 55402
(612) 337-9300

EXHIBIT D TO
CONTRACT FOR PRIVATE DEVELOPMENT

FORM OF AUTHORIZING RESOLUTION WITH NOTE

COTTAGE GROVE ECONOMIC DEVELOPMENT AUTHORITY

RESOLUTION NO. ______

RESOLUTION APPROVING THE ISSUANCE OF, AND PROVIDING THE FORM, TERMS, COVENANTS AND DIRECTIONS FOR THE ISSUANCE OF ITS TAXABLE TAX INCREMENT REVENUE NOTE, SERIES 202__ IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED $1,960,000

BE IT RESOLVED BY the Cottage Grove Economic Development Authority (the "EDA"), as follows:

Section 1. Authorization; Award of Sale.

1.01. Authorization. The EDA has heretofore approved the establishment of Tax Increment Financing District No. 1-21 (the "TIF District"), located in Development District No. 1 (the "Development District"), and has adopted a tax increment financing plan for the purpose of financing certain improvements within the Development District.

Pursuant to Minnesota Statutes, Section 469.178, the EDA is authorized to issue and sell its bonds for the purpose of financing a portion of the public development costs of the Minimum Improvements and Development Property in the Development District. The bonds are payable from all or any portion of revenues derived from the Minimum Improvements and the Development Property in the TIF District and pledged to the payment of the bonds. The EDA hereby finds and determines that it is in the best interests of Cottage Grove that it issue and sell its taxable Tax Increment Revenue Note, Series 202__ (the "Note"), in the aggregate principal amount up to $1,960,000, for the purpose of financing certain public costs of the Development District.

1.02. Agreement Approved; Issuance, Sale and Terms of the Note. The EDA has previously approved the Contract for Private Development (the "Agreement") between the EDA and __________________________, a ______________________ under the laws of __________ (the "Owner"), and authorized the President and Executive Director to execute the Agreement. Pursuant to the Agreement, the Note will be issued to the Owner. The Note will be dated as of the date of delivery and will bear interest at the rate of at the lesser of i) 7.75% per annum; ii) the actual rate of interest paid if the Developer finances the Note separately from the construction loan or first mortgage; or iii) the actual rate of interest paid by the Developer on the construction financing for the Minimum Improvements. In exchange for the EDA's issuance of the Note to the Owner, the Owner will pay certain costs related to the Minimum Improvements (the Qualifying

Costs, as defined in the Agreement) pursuant to Section 3.2 of the Agreement. The Note will be delivered in the principal amount up to $1,960,000 for reimbursement of the Owner's costs in accordance with the terms of Sections 3.2 and 3.3 of the Agreement.

Section 2. Form of Note. The Note will be in substantially the following form, with the blanks to be properly filled in and the principal amount and payment schedule adjusted as of the date of issue:

UNITED STATE OF AMERICA
STATE OF MINNESOTA
WASHINGTON COUNTY
COTTAGE GROVE ECONOMIC DEVELOPMENT AUTHORITY

No. R-1 $1,960,000

TAXABLE TAX INCREMENT REVENUE NOTE
SERIES 202__

Rate	Date of Original Issue

[lesser of i) 7.75% per annum; ii) the actual rate of interest paid if the Developer finances the Note separately from the construction loan or first mortgage; or iii) the actual rate of interest paid by the Developer on the construction financing for the Minimum Improvements]

The Cottage Grove Economic Development Authority (the "EDA"), for value received, certifies that it is indebted and hereby promises to pay to to Roers Cottage Grove Apartments LLC, or registered assigns (the "Owner"), the principal sum of $1,960,000 with interest thereon at the rate specified below, as and to the extent set forth herein.

1. Payments. Principal and interest payments ("Payments") will be paid on August 1, 2026, and each February 1 and August 1 thereafter until the earlier of payment in full or February 1, 2041 ("Payment Dates"), in the amounts and from the sources set forth in Section 3 herein.

Payments are payable by mail to the address of the Owner or any other address as the Owner may designate upon 30 days written notice to the EDA. Payments on this Note are payable in any coin or currency of the United States of America which, on the Payment Date, is legal tender for the payment of public and private debts.

2. Interest. Interest shall be simple, non-compounding interest at the lesser of i) 7.75% per annum; ii) the actual rate of interest paid if the Developer finances the Note separately from the construction loan or first mortgage; or iii) the actual rate of interest paid by the Developer on the construction financing for the Minimum Improvements. Interest shall be computed on the basis of a 360-day year consisting of 12 30-day months.

3. Available Tax Increment. Payments on this Note are payable on each Payment Date in the amount of and solely payable from "Available Tax Increment," which will mean, on each Payment Date, 90 percent of the Tax Increment attributable to the Development Property and Minimum Improvements (as defined in the Agreement) and paid to the EDA by Washington County, Minnesota in the six months preceding the Payment Date, all as the terms are defined in the Contract for Private Development between the EDA and Owner dated as of ______________, 2024 (the "Agreement"). Available Tax Increment will not include any Tax Increment if, as of any Payment Date, there is an uncured Event of Default by the Owner under the Agreement.

The EDA will have no obligation to pay principal or interest on this Note on each Payment Date from any source other than Available Tax Increment, and the failure of the EDA to pay the entire amount of principal and interest on this Note on any Payment Date will not constitute a default hereunder as long as the EDA pays principal and interest to the extent of Available Tax Increment. The EDA will have no obligation to pay any unpaid balance of principal or interest that may remain after the Final Payment Date of February 1, 2041.

4. Optional Prepayment. The principal sum and accrued interest payable under this Note is pre-payable in whole or in part at any time by the EDA without premium or penalty. No partial prepayment will affect the amount or timing of any other regular payment otherwise required to be made under this Note.

5. Suspension of Payment. At the EDA's option, the EDA's obligation to make any payments under this Note will be suspended upon the occurrence of an Event of Default on the part of the Developer as defined in Section 8.1 of the Agreement, but only if the Event of Default has not been cured in accordance with Section 8.2 of the Agreement. The EDA may also suspend payments under this Note in accordance with Section 6.1(e) of the Agreement.

6. Nature of Obligation. This Note is a single note in the total principal amount of $1,960,000 issued to aid in financing certain public costs of a Development District undertaken by the EDA pursuant to Minnesota Statutes, Sections 469.090 through 469.108, as amended, and is issued pursuant to an authorizing resolution (the "Resolution") duly adopted by the EDA on ______________, 202__, pursuant to and in full conformity with the Constitution and laws of the State of Minnesota, including Minnesota Statutes, Sections 469.174 to 469.1794, as amended. This Note is a limited obligation of the EDA which is payable solely from Available Tax Increment pledged to the payment hereof under the Resolution. This Note will not be deemed to constitute a general obligation of the State of Minnesota or any political subdivision thereof, including, without limitation, the Cottage Grove Economic Development Authority or the City of Cottage Grove. Neither the State of Minnesota, nor any political subdivision thereof will be obligated to pay the principal of or interest on this Note or other costs incident hereto except out of Available Tax Increment, and neither the full faith and credit nor the taxing power of the State of Minnesota or any political subdivision thereof is pledged to the payment of the principal of and interest on this Note or other costs incident hereto.

7. Estimated Tax Increment Payments. Any estimates of Tax Increment prepared by the EDA or its municipal advisors in connection with the TIF District or the Agreement are for the benefit of the EDA, and are not intended as representations on which the Owner may rely.

THE EDA MAKES NO REPRESENTATION OR WARRANTY THAT THE AVAILABLE TAX INCREMENT WILL BE SUFFICIENT TO PAY THE PRINCIPAL OF OR INTEREST ON THIS NOTE.

8. Registration and Transfer; Assignment. As provided in the Resolution, and subject to certain limitations set forth herein, this Note is issuable only as a fully registered note without coupons. This Note is transferable upon the books of the EDA kept for that purpose at the principal office of the EDA's Executive Director as Registrar, by the Owner hereof in person or by the Owner's attorney duly authorized in writing, upon surrender of this Note together with a written instrument of transfer satisfactory to the EDA, duly executed by the Owner. Upon the transfer or exchange and the payment by the Owner of any tax, fee, or governmental charge required to be paid by the EDA with respect to the transfer or exchange, there will be issued in the name of the transferee a new Note of the same aggregate principal amount and interest rate and maturing on the same dates.

This Note may be transferred without the approval of the EDA; provided that this Note will not be transferred to any person other than an affiliate, or other related entity, of the Owner unless the EDA has been provided with an investment letter in a form substantially similar to the investment letter submitted by the Owner or a certificate of the transferor, in a form satisfactory to the EDA, that the transfer is exempt from registration and prospectus delivery requirements of federal and applicable state securities laws. This Note may be assigned with the consent of the EDA, which will not be unreasonably withheld or delayed. Notwithstanding anything to the contrary in this Note, in no event will a lender providing funds to the Developer and taking an assignment of the Note as security for such funds be required to sign an investment letter at either the time of execution of an assignment or transfer of the Note as a result of the assignment.

This Note is subject to the Lookback provisions of section 3.5 of the Agreement.

IT IS HEREBY CERTIFIED AND RECITED that all acts, conditions, and things required by the Constitution and laws of the State of Minnesota to be done, to exist, to happen, and to be performed in order to make this Note a valid and binding limited obligation of the EDA according to its terms, have been done, do exist, have happened, and have been performed in due form, time and manner as so required.

IN WITNESS WHEREOF, the board of commissioners of the Cottage Grove Economic Development Authority, has caused this Note to be executed with the manual signatures of its President and Executive Director, all as of the Date of Original Issue specified above.

COTTAGE GROVE ECONOMIC
DEVELOPMENT AUTHORITY

President

Executive Director

REGISTRATION PROVISIONS

The ownership of the unpaid balance of the within Note is registered in the bond register of the EDA's Executive Director, in the name of the person last listed below.

Date of Registration	Registered Owner	Signature of Executive Director
	______________________________ ______________________________ ______________________________ ______________________________ Attn: _________________ Federal Tax ID #____________	

[End of Form of Note]

Section 3. Terms, Execution and Delivery.

3.01. Denomination, Payment. The Note will be issued as a single typewritten note numbered R-1.

The Note will be issuable only in fully registered form. Principal and interest of the Note will be payable by check or draft issued by the Registrar described herein.

3.02. Dates. Principal and interest of the Note will be payable by mail to the owner of record thereof as of the close of business on the fifteenth day of the month preceding the Payment Date, whether or not the day is a business day.

3.03. Registration. The EDA hereby appoints the Executive Director to perform the functions of registrar, transfer agent and paying agent (the "Registrar"). The effect of registration and the rights and duties of the EDA and the Registrar with respect thereto will be as follows:

(a) Register. The Registrar will keep at his office a bond register in which the Registrar will provide for the registration of ownership of the Note and the registration of transfers and exchanges of the Note.

(b) Transfer of Note. Upon surrender for transfer of the Note duly endorsed by the registered owner thereof or accompanied by a written instrument of transfer, in form reasonably satisfactory to the Registrar, duly executed by the registered owner thereof or by an attorney duly authorized by the registered owner in writing, the Registrar will authenticate and deliver, in the name of the designated transferee or transferees, a new Note of a like aggregate principal amount, interest rate and maturity, as requested by the transferor. Notwithstanding the foregoing, the Note will not be transferred to any person other than an affiliate, or other related entity, of the Owner unless the EDA has been provided with an investment letter in a form substantially similar to the investment letter submitted by the Owner or a certificate of the transferor, in a form satisfactory to the EDA, that the transfer is exempt from registration and prospectus delivery requirements of federal and applicable state securities laws. The Registrar may close the books for registration of any transfer after the fifteenth day of the month preceding each Payment Date and until the Payment Date.

(c) Cancellation. The Note surrendered upon any transfer will be promptly cancelled by the Registrar and thereafter disposed of as directed by the EDA.

(d) Improper or Unauthorized Transfer. When the Note is presented to the Registrar for transfer, the Registrar may refuse to transfer the same until he is satisfied that the endorsement on the Note or separate instrument of transfer is legally authorized. The Registrar will incur no liability for his refusal, in good faith, to make transfers which he, in his judgment, deems improper or unauthorized.

(e) Persons Deemed Owners. The EDA and the Registrar may treat the person in whose name the Note is at any time registered in the bond register as the absolute owner of the Note, whether the Note is overdue or not, for the purpose of receiving payment of, or on account of, the principal of and interest on the Note and for all other purposes, and all the payments so made to any registered owner or upon the owner's order will be valid and effectual to satisfy and discharge the liability of the EDA upon the Note to the extent of the sum or sums so paid.

(f) Taxes, Fees and Charges. For every transfer or exchange of the Note, the Registrar may impose a charge upon the owner thereof sufficient to reimburse the Registrar for any tax, fee, or other governmental charge required to be paid with respect to the transfer or exchange.

(g) Mutilated, Lost, Stolen or Destroyed Note. In case the Note becomes mutilated or is lost, stolen, or destroyed, the Registrar will deliver a new Note of like amount, interest rate, maturity dates and tenor in exchange and substitution for and upon cancellation of the mutilated Note or in lieu of and in substitution for the Note lost, stolen, or destroyed, upon the payment of the reasonable expenses and charges of the Registrar in connection therewith; and, in the case the Note lost, stolen, or destroyed, upon filing with the Registrar of evidence satisfactory to it that the Note was lost, stolen, or destroyed, and of the ownership thereof, and upon furnishing to the Registrar of an appropriate bond or indemnity in form, substance, and amount satisfactory to it, in which both the EDA and the Registrar will be named as obligees. The Note so surrendered to the Registrar will be cancelled by him and evidence of the cancellation will be given to the EDA. If the mutilated, lost, stolen, or destroyed Note has already matured or been called for redemption in accordance with its terms, it will not be necessary to issue a new Note prior to payment.

3.04. Preparation and Delivery. The Note will be prepared under the direction of the Executive Director and will be executed on behalf of the EDA by the signatures of its Chair and Executive Director. In case any officer whose signature appears on the Note ceases to be the officer before the delivery of the Note, the signature will nevertheless be valid and sufficient for all purposes, the same as if the officer had remained in office until delivery. When the Note has been so executed, it will be delivered by the EDA to the Owner following the delivery of the necessary items delineated in Section 3.3 of the Agreement.

Section 4. Security Provisions.

4.01. Pledge. The EDA hereby pledges to the payment of the principal and interest of the Note all Available Tax Increment as defined in the Note. Available Tax Increment will be applied to payment of accrued interest first, then the principal of the Note in accordance with the terms of the form of Note set forth in Section 2 of this resolution.

4.02. Bond Fund. Until the date the Note is no longer outstanding and no principal thereof or interest thereon (to the extent required to be paid pursuant to this resolution) remains unpaid, the EDA will maintain a separate and special "Bond Fund" to be used for no purpose other than the payment of the principal of and interest on the Note. The EDA irrevocably agrees to appropriate to the Bond Fund in each year Available Tax Increment. Any Available Tax Increment remaining in the Bond Fund will be transferred to the EDA's account for the TIF District upon the payment of all principal and interest to be paid with respect to the Note.

Section 5. Certification of Proceedings.

5.01. Certification of Proceedings. The officers of the EDA are hereby authorized and directed to prepare and furnish to the Owner of the Note certified copies of all proceedings and records of the EDA, and the other affidavits, certificates, and information as may be required to show the facts relating to the legality and marketability of the Note as the same appear from the books and records under their custody and control or as otherwise known to them, and all the certified copies, certificates, and affidavits, including any heretofore furnished, will be deemed representations of the City as to the facts recited therein.

Section 6. Effective Date. This resolution will be effective upon execution by the President and Executive Director following authorization by the board of commissioners of the Housing and Redevelopment Authority in and for the City of Cottage Grove.

Adopted by the Cottage Grove Economic Development Authority, this ____ day of ________, 202___.

President

Executive Director

EXHIBIT E TO
CONTRACT FOR PRIVATE DEVELOPMENT

FORM OF INVESTMENT LETTER

To the Cottage Grove Economic Development Authority (the "EDA")
Attention: Executive Director

Dated: __________________, 202__

Re: $1,960,000 Tax Increment Revenue Note (_________________ Project)

The undersigned, as Purchaser of $1,960,000 in principal amount of the above-captioned Tax Increment Revenue Note (________________________ Project) (the "Note"), approved by the Cottage Grove Economic Development Authority on ______________, 202__, hereby represents to you and to Kennedy & Graven, Chartered, Minneapolis, Minnesota, as legal counsel to the EDA, as follows:

1. We understand and acknowledge that the Note is delivered to the Purchaser on this date pursuant to the Contract for Private Development by and between the EDA and the Purchaser dated __________________, 2024 (the "Agreement").

2. The Note is payable solely from Available Tax Increment pledged to the Note, as defined therein.

3. We have sufficient knowledge and experience in financial and business matters, including purchase and ownership of municipal obligations, to be able to evaluate the risks and merits of the investment represented by the purchase of the above-stated principal amount of the Note.

4. We acknowledge that no offering statement, prospectus, offering circular or other comprehensive offering document or disclosure containing material information with respect to the EDA and the Note has been issued or prepared by the EDA, and that, in due diligence, we have made our own inquiry and analysis with respect to the EDA, the Note and the security therefor, and other material factors affecting the security and payment of the Note.

5. We acknowledge that we have either been supplied with or have access to information, including financial statements and other financial information, to which a reasonable investor would attach significance in making investment decisions, and we have had the opportunity to ask questions and receive answers from knowledgeable individuals concerning the EDA, the Note and the security therefor, and that as reasonable investors we have been able to make our decision to purchase the above-stated principal amount of the Note.

6. We have been informed that the Note (i) is not being registered or otherwise qualified for sale under the "Blue Sky" laws and regulations of any state, or under federal securities laws or regulations, (ii) will not be listed on any stock or other securities exchange, and (iii) will carry no rating from any rating service.

7. We acknowledge that the EDA and Kennedy & Graven, Chartered, as legal counsel to the EDA, have not made any representations or warranties as to the status of payments on the Note for the purpose of federal or state income taxation.

8. We represent to you that we are purchasing the Note for our own account and not for resale or other distribution thereof, except to the extent otherwise provided in the Note or as otherwise approved in writing by the EDA.

9. All capitalized terms used herein have the meaning provided in the Agreement unless the context clearly requires otherwise.

10. The Purchaser's federal tax identification number is #_________.

11. We acknowledge receipt of the Note on the date hereof.

IN WITNESS WHEREOF, the undersigned has executed this Investment Letter as of the date and year first written above.

____

By: ____________________________

STATE OF MINNESOTA)
) ss.
COUNTY OF___________)

The foregoing instrument was executed before me this _____ day of _______________, 202__, by ______________, the _________________ of _________________________, a ___________________________ under the laws of ______________, on behalf of the ________________.

____
Notary Public

EXHIBIT F TO
CONTRACT FOR PRIVATE DEVELOPMENT

FORM OF DECLARATION OF RESTRICTIVE COVENANTS

THIS DECLARATION OF RESTRICTIVE COVENANTS, dated this ___ day of _____________, 202__ (the "Declaration"), by Roers Cottage Grove Apartments LLC, a limited liability company under the laws of Delaware (the "Developer"), is given for the benefit of the Cottage Grove Economic Development Authority, a body corporate and politic under the laws of Minnesota (the "EDA").

RECITALS

WHEREAS, the EDA and the Developer entered into that certain Contract for Private Development, dated __________, 2024, (the "Agreement"); and

WHEREAS, pursuant to the Agreement, the Developer is obligated to cause construction of approximately 144 units of market rate and affordable housing, and all related amenities and improvements (the "Project") to be located on the property described in Exhibit A attached hereto (the "Development Property"), and to cause compliance with certain affordability covenants described in Section 4.6 of the Agreement; and

WHEREAS, Section 4.6 of the Agreement requires that the Developer cause to be executed an instrument in recordable form substantially reflecting the covenants set forth in that section of the Agreement; and

WHEREAS, the Developer intends, declares, and covenants that the restrictive covenants set forth herein will be and are covenants running with the Development Property for the term described herein and binding upon all subsequent owners of the Development Property for the term described herein, and are not merely personal covenants of the Developer; and

WHEREAS, capitalized terms in this Declaration have the meaning provided in the Agreement unless otherwise defined herein.

NOW, THEREFORE, in consideration of the promises and covenants hereinafter set forth, and of other valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Developer agrees as follows:

1. Term of Restrictions.

(a) Occupancy and Rental Restrictions. The term of the Occupancy Restrictions set forth in Section 3 of this Declaration will commence on the date a permanent certificate of occupancy is received from the City for the Minimum Improvements on the Development Property and continue for 26 years thereafter (the "Qualified Project Period").

(b) Termination of Declaration. This Declaration shall terminate upon expiration of the Qualified Project Period. In the event of foreclosure or transfer of title by deed in lieu of foreclosure, upon completion of the foreclosure and expiration of the applicable mortgagee redemption period, or recording of a deed in lieu of foreclosure, any mortgagee (or any assignee of the mortgagee) or any purchasers at or after foreclosure thereof, by the successful bidder at the sale, to the title to the Development Property, may terminate this Declaration, by providing written notice to the EDA by filing a termination document in the applicable real property records in Washington County, Minnesota and thereafter this Declaration shall be of no further force and effect; provided, however, that the preceding provisions of this sentence shall cease to apply and the restrictions contained herein shall be reinstated if, at any time subsequent to the termination of this Declaration as the result of the foreclosure, or the delivery of a deed in lieu of foreclosure, or a similar event, the Developer or any related person (within the meaning of Section 1.103-10(e) of the Treasury Regulations) obtains an ownership interest in the Project for federal income tax purposes. The events set forth in this Section 1(b) are referred to individually and collectively herein as the "Declaration Termination Date." The EDA will terminate the Note if this Declaration is terminated prior to expiration of the Qualified Project Period.

(c) Removal from Real Estate Records. After the Declaration Termination Date of this Declaration, the EDA will, upon request by the Developer or its assigns, file any document appropriate to remove this Declaration from the real estate records of Washington County, Minnesota.

2. Project Restrictions.

(a) The Developer represents, warrants, and covenants that:

(i) All leases of Rental Housing Units to Qualifying Tenants (as defined in Section 3(a) hereof) will contain clauses, among others, wherein each individual lessee:

(1) Certifies the accuracy of the statements made in its application and Eligibility Certification (as defined in Section 3(b) hereof); and

(2) Agrees that the family income at the time the lease is executed will be deemed a substantial and material obligation of the lessee's tenancy; that the lessee will comply promptly with all requests for income and other information relevant to determining income status from the Developer or the EDA, and that the lessee's failure or refusal to comply with a request for information with respect thereto will be deemed a violation of a substantial obligation of the lessee's tenancy.

(b) The Developer will permit any duly authorized representative of the EDA to inspect the books and records of the Developer pertaining to the income of Qualifying Tenants residing in the Project.

3. Occupancy Restrictions. The Developer represents, warrants, and covenants that:

(a) Qualifying Tenants and Rent. Throughout the Qualified Project Period, 37 units (25.7 percent) of the Rental Housing Units shall be administered in accordance with 42 USC Section 3607(b) and Minnesota Statutes, Section 363A.21, subdivision 2 and shall be occupied (or treated as occupied as provided herein) or held vacant and available for occupancy by Qualifying Tenants. "Qualifying Tenants" means, with respect to eight Rental Housing Units (5.6 percent), those persons and families who are determined from time to time by the Developer to have combined adjusted income that does not exceed 60%, and with respect to an additional 29 Rental Housing Units (20.1 percent), those persons and families who are determined from time to time by the Developer to have combined adjusted income that does not exceed 50% of the median income for the standard metropolitan statistical area which includes Cottage Grove, Minnesota, as that figure is determined and announced from time to time by HUD, as adjusted for family size (the "Median Income") for the applicable calendar year. For purposes of this definition, the occupants of a Rental Housing Unit will not be deemed to be Qualifying Tenants if all the occupants of such Rental Housing Unit at any time are "students," as defined in Section 152(f)(2) of the Internal Revenue Code of 1986, as amended (the "Code"), not entitled to an exemption under the Code. The determination of whether an individual or family is a Qualifying Tenant will be made at the time the tenancy commences and on an ongoing basis thereafter, determined at least annually. If during their tenancy a Qualifying Tenant's income exceeds 140% of the Median Income, the next available Rental Housing Unit (determined in accordance with the Code and applicable regulations) (the "Next Available Unit Rule") must be leased to a Qualifying Tenant or held vacant and available for occupancy by a Qualifying Tenant. If the Next Available Unit Rule is violated, the Rental Housing Unit will not continue to be treated as a Qualifying Unit.

(b) Certification of Tenant Eligibility. As a condition to initial and continuing occupancy, each person who is intended to be a Qualifying Tenant will be required annually to sign and deliver to the Developer a Certification of Tenant Eligibility substantially in the form attached as Exhibit B hereto, or in any other form as may be approved by the EDA (the "Eligibility Certification"), in which the prospective Qualifying Tenant certifies as to having a qualifying low or moderate income. The Qualifying Tenant will be required to provide whatever other information, documents, or certifications are deemed necessary by the EDA to substantiate the Eligibility Certification, on an ongoing annual basis, and to verify that the tenant continues to be a Qualifying Tenant within the meaning of Section 3(a) hereof. Eligibility Certifications will be maintained for the duration of the Qualified Project Period on file by the Developer with respect to each Qualifying Tenant who resides in a Rental Housing Unit or resided therein during the Qualified Project Period.

(c) Lease. The form of lease to be utilized by the Developer in renting any Rental Housing Units in the Project to any person who is intended to be a Qualifying Tenant will provide for termination of the lease and consent by the person to immediate eviction for failure to qualify as a Qualifying Tenant as a result of any material misrepresentation made by the person with respect to the Eligibility Certification.

(d) Annual Report. The Developer covenants and agrees that during the term of this Declaration, it will prepare and submit to the City on or before July 1 of each year, a certificate substantially in the form of Exhibit C attached hereto, executed by the Developer, (a) identifying the tenancies and the dates of occupancy (or vacancy) for all Qualifying Tenants in the Project, including the number and percentage of the Rental Housing Units of the Project which were occupied by Qualifying Tenants (or held vacant and available for occupancy by Qualifying Tenants) at all times during the year preceding the date of the certificate; (b) describing all transfers or other changes in ownership of the Project or any interest therein; and (c) stating, that to the best knowledge of the person executing the certificate after due inquiry, all the Rental Housing Units were rented or available for rental on a continuous basis during the year to members of the general public and that the Developer was not otherwise in default under this Declaration during the year.

(e) Notice of Non-Compliance. The Developer will immediately notify the EDA if at any time during the term of this Declaration fewer than 37 of the Rental Housing Units in the Project are occupied or available for occupancy by Qualifying Tenants as required by the terms of this Declaration. The 37 Rental Housing Units reserved for Qualifying Tenants will include 13 one-bedroom units, 13 two-bedroom units and 11 three-bedroom units.

4. Transfer Restrictions. The Developer covenants and agrees that the Developer will cause or require as a condition precedent to any conveyance, transfer, assignment, or any other disposition of the Project prior to the termination of the Occupancy Restrictions provided herein (the "Transfer") that the transferee of the Project pursuant to the Transfer assume in writing, in a form acceptable to the EDA, all duties and obligations of the Developer under this Declaration, including this Section 4, in the event of a subsequent Transfer by the transferee prior to expiration of the Rental Restrictions and Occupancy Restrictions provided herein (the "Assumption Agreement"). The Developer will deliver the Assumption Agreement to the EDA prior to the Transfer.

5. Enforcement.

(a) The Developer will permit, during normal business hours and upon reasonable notice, any duly authorized representative of the EDA to inspect any books and records of the Developer regarding the Project with respect to the incomes of Qualifying Tenants.

(b) The Developer will submit any other information, documents or certifications requested by the EDA which the EDA deems reasonably necessary to substantiate the Developer's continuing compliance with the provisions specified in this Declaration.

(c) The Developer acknowledges that the primary purpose for requiring compliance by the Developer with the restrictions provided in this Declaration is to ensure compliance of the property with the housing affordability covenants set forth in Section 4.6 of the Agreement, and by reason thereof, the Developer, in consideration for assistance provided by the EDA under the Agreement that makes possible the construction of the Project (as defined in the Agreement) on the Development Property, hereby agrees and consents that the EDA will be entitled, for any breach of the provisions of this Declaration, and in addition to all other remedies provided by law or in equity, to enforce specific performance by the Developer of its obligations under this Declaration in a state court of competent jurisdiction. The Developer hereby further specifically acknowledges that the EDA cannot be adequately compensated by monetary damages in the event of any default hereunder.

(d) The Developer understands and acknowledges that, in addition to any remedy set forth herein for failure to comply with the restrictions set forth in this Declaration, the EDA may exercise any remedy available to it under Article VIII of the Agreement.

6. Indemnification. The Developer hereby indemnifies, and agrees to defend and hold harmless, the EDA from and against all liabilities, losses, damages, costs, expenses (including attorneys' fees and expenses), causes of action, suits, allegations, claims, demands, and judgments of any nature arising from the consequences of a legal or administrative proceeding or action brought against them, or any of them, on account of any failure by the Developer to comply with the terms of this Declaration, or on account of any representation or warranty of the Developer contained herein being untrue.

7. Agent of the City. The EDA will have the right to appoint an agent to carry out any of its duties and obligations hereunder, and will inform the Developer of any agency appointment by written notice.

8. Severability. The invalidity of any clause, part or provision of this Declaration will not affect the validity of the remaining portions thereof.

9. Notices. All notices to be given pursuant to this Declaration must be in writing and will be deemed given when mailed by certified or registered mail, return receipt requested, to the parties hereto at the addresses set forth below, or to any other place as a party may from time to time designate in writing. The Developer and the EDA may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates, or other communications are sent. The initial addresses for notices and other communications are as follows:

To the EDA: Cottage Grove Economic Development Authority
12800 Ravine Parkway South
Cottage Grove, MN 55016
Attn: Executive Director

and with a copy to: Kennedy & Graven, Chartered
150 South Fifth Street
Suite 700
Minneapolis, MN 55402
Attn: Ronald H. Batty

To the Developer:	Roers Cottage Grove Apartments LLC Two Carlson Parkway #400 Plymouth, Minnesota 55447 Attn: Brian Roers and Logan Schmidt
and with a copy to:	Winthrop & Weinstine, P.A. 225 South Sixth Street, Suite 3500 Minneapolis, Minnesota 55402 Attn: Joseph Phelps

10. Governing Law. This Declaration is governed by the laws of the State of Minnesota and, where applicable, the laws of the United States of America.

11. Attorneys' Fees. In case any action at law or in equity in which the EDA prevails, including an action for declaratory relief, is brought against the Developer to enforce the provisions of this Declaration, the Developer agrees to pay the reasonable attorneys' fees and other reasonable expenses paid or incurred by the EDA in connection with the action.

12. Declaration Binding. This Declaration and the covenants contained herein will run with the Development Property and will bind the Developer and its successors and assigns and all subsequent owners of the Development Property or any interest therein, and the benefits will inure to the EDA and its successors and assigns until the Declaration Termination Date of this Declaration as provided in Section 1(b) hereof.

* * * * * *

IN WITNESS WHEREOF, the Developer has caused this Declaration of Restrictive Covenants to be signed by its respective duly authorized representatives, as of the day and year first written above.

ROERS COTTAGE GROVE APARTMENTS LLC, a limited liability company under the laws of Delaware

By: Roers Cottage Grove Apartments Manager LLC, a Minnesota limited liability company
Its: Manager

By: Roers Companies Project Holdings LLC, a Minnesota limited liability company
Its: Manager

By: ____________________________
Name: Shane E. LaFave
Its: Vice President of Development

STATE OF MINNESOTA)
) SS.
COUNTY OF ________)

The foregoing instrument was executed before me this _____ day of _______________, 202__, by Shane E. LaFave, the Vice President of Development of Roers Companies Project Holdings LLC, a Minnesota limited liability company, the Manager of Roers Cottage Grove Apartments Manager LLC, a Minnesota limited liability company, the Manager of Roers Cottage Grove Apartments LLC, a Delaware limited liability company, on behalf of the company.

Notary Public

THIS INSTRUMENT WAS DRAFTED BY:
Kennedy & Graven, Chartered (RHB)
150 South Fifth Street
Suite 700
Minneapolis, MN 55402
(612) 337-9300

This Declaration is acknowledged and consented to by:

COTTAGE GROVE ECONOMIC
DEVELOPMENT AUTHORITY

By:
Its: President

By:
Its: Executive Director

STATE OF MINNESOTA)
) SS.
COUNTY OF)

The foregoing instrument was acknowledged before me this ____ day of _____________, 202_, by _____________, the President of the Cottage Grove Economic Development Authority, a public body corporate and politic under the laws of Minnesota, on behalf of the EDA.

Notary Public

STATE OF MINNESOTA)
) SS.
COUNTY OF)

The foregoing instrument was acknowledged before me this ____ day of _____________, 202_, by _____________, the Executive Director of the Cottage Grove Economic Development Authority, a public body corporate and politic under the laws of Minnesota, on behalf of the EDA.

Notary Public

Exhibit A to Declaration of Restrictive Covenants

Description

The land subject to the foregoing Restrictive Covenants is legally described as follows:

The Development Property is legally described as follows:

[to be included]

Exhibit B to Declaration of Restrictive Covenants

Certification of Tenant Eligibility

TENANT INCOME CERTIFICATION Initial Certification ☐ Recertification ☐ Other ________________	Effective Date: ___________________________ Move-in Date: ____________________________ (MM/DD/YY): ___________________________

PART I. DEVELOPMENT DATA		
Property Name: _____________ Apartments Address: _______________, Cottage Grove, Minnesota	County: Washington Unit Number: _________________	BIN #: ________________ # Bedrooms: ____________

PART II. HOUSEHOLD COMPOSITION

HH Br #	Last Name	First Name & Middle Initial	Relationship to Head of Household	Date of Birth (MM/DD/YY)	F/T Student (Y or N)	Social Security or Alien Reg. No.
1			HEAD			
2						
3						
4						
5						
6						

PART III. GROSS ANNUAL INCOME (USE ANNUAL AMOUNTS)

HH Br #	(A) Employment or Wages	(B) Soc. Security / Pensions	(C) Public Assistance	(D) Other Income
TOTAL	$	$	$	$
Add totals from (A) through (D) above			TOTAL INCOME (E):	$

PART IV. INCOME FROM ASSETS				
HH Mbr#	(F) Type of Asset	(G) C/I	(H) Cash Value of Asset	(I) Annual Income from Asset
TOTALS:			$	$
Enter Column (H) Total if over \$5,000 \$________________ x 2.00 % =		Passbook Rate	(J) Imputed Income	$
Enter the greater of the total column I, or J: imputed income TOTAL INCOME FROM ASSETS (K)				$
(L) Total Annual Household Income from all sources [Add (E) + (K)]				$

HOUSEHOLD CERTIFICATION & SIGNATURES

The information on this form will be used to determine maximum income eligibility. I/we have provided for each person(s) set forth in Part II acceptable verification of current anticipated annual income. I/we agree to notify the landlord immediately upon any member of the household moving out of the unit or any new member moving in. I/we agree to notify the landlord immediately upon any member becoming a full-time student.

Under penalties of perjury, I/we certify that the information presented in this Certification is true and accurate to the best of my/our knowledge and belief. The undersigned further understands that providing false representations herein constitutes an act of fraud. False, misleading or incomplete information may result in the termination of the lease agreement.

_______________________ _____ Signature   _______________________ (Date)   _______________________ _____ Signature   _______________________ (Date)

_______________________ _____ Signature   _______________________ (Date)   _______________________ _____ Signature   _______________________ (Date)

PART V. DETERMINATION OF INCOME ELIGIBILITY

TOTAL ANNUAL HOUSEHO INCOME FROM ALL SOURC From Item (L) on page 1	$	Household Meets Income Restriction at:	RECERTIFICATION ONLY: Current Income Limit x 140%

Current Income Limit per Family Size: ___________________ Household Income at Move-in $____________________	$ 50% 30%	☐ 60% ☐ ☐ 40% ☐ ☐ ___%	$ __________________________________ Household income exceeds 140% at recertification: ☐ Yes ☐ No Household Size at Move-in: _______________

PART VI. RENT

Not Applicable

PART VII. STUDENT STATUS

ARE ALL OCCUPANTS FULL-TIME STUDENTS?

☐ yes ☐ no

If yes, enter student explanation** (also attach documentation)

Enter 1-4

Student explanation:

1. TANF assistance
2. Job training program
3. Single parent/dependent child
4. Married/joint return*

***Exception for married/joint return is the only exception available for units necessary to qualify tax-exempt bonds.**

PART VIII. PROGRAM TYPE

Mark the program(s) listed below (a. through e.) for which this household's unit will be counted toward the property's occupancy requirements. Under each program marked, indicate the household's income status as established by this certification/recertification

a. Tax Credit ☐	b. HOME ☐	c. Tax Exempt ☐	d. AHDP ☐	e. ____________ ☐ (Name of Program)
See Part V above.	Income Status	Income Status	Income Status	Income Status
	☐ ≤ 50% AMGI	☐ 50% AMGI	☐ ≤ 50% AMGI	☐ __________
	☐ ≤ 60% AMGI	☐ 60% AMGI	☐ ≤ 80% AMGI	☐ __________
	☐ ≤ 80% AMGI	☐ 80% AMGI	☐ ≤ 0I **	☐ ≤ 0I **
	☐ ≤ 0I **	☐ 0I **		

** Upon recertification, household was determined over income (OI) according to eligibility requirements of the program(s) marked above.

SIGNATURE OF OWNER / REPRESENTATIVE

Based on the representations herein and upon the proofs and documentation required to be submitted, the individual(s) named in Part II of this Tenant Income Certification is/are eligible under the provisions of Section 42 of the Internal Revenue Code, as amended, and the Regulatory Agreement (if applicable), to live in a unit in this Project.

____ __________________

SIGNATURE OF OWNER / REPRESENTATIVE DATE

INSTRUCTIONS FOR COMPLETING
TENANT INCOME CERTIFICATION

This form is to be completed by the owner or an authorized representative.

Part I – Development Data

Check the appropriate box for Initial Certification (move-in), Recertification (annual recertification), or Other. If Other, designate the purpose of the recertification (i.e., a unit transfer, a change in household composition, or other state-required recertification).

Move-in Date	Enter the date the tenant has or will take occupancy of the unit.
Effective Date	Enter the effective date of the certification. For move-in, this should be the move-in date. For annual recertification, this effective date should be no later than one year from the effective date of the previous (re)certification.
Property Name	Enter the name of the development.
County	Enter the county (or equivalent) in which the building is located.
BIN #	Enter the Building Identification Number (BIN) assigned to the building (from IRS Form 8609).
Address	Enter the street address.
Unit Number	Enter the unit number.
# Bedrooms	Enter the number of bedrooms in the unit.

Part II – Household Composition

List all occupants of the unit. State each household member's relationship to the head of the household by using one of the following coded definitions:

H	Head of household	S	Spouse
A	Adult co-tenant	O	Other family member
C	Child	F	Foster child
L	Live-in caretaker	N	None of the above

Enter the date of birth, student status, and Social Security number or alien registration number for each occupant.

If there are more than seven occupants, use an additional sheet of paper to list the remaining household members and attach it to the certification.

Part III – Annual Income

See HUD Handbook 4350.3 for complete instructions on verifying and calculating income, including acceptable forms of verification.

From the third-party verification forms obtained from each income source, enter the gross amount anticipated to be received for the 12 months from the effective date of the (re)certification. Complete a separate line for each income-earning member. List the respective household member number from Part II.

Column (A)	Enter the annual amount of wages, salaries, tips, commissions, bonuses, and other income from employment; distributed profits and/or net income from a business.
Column (B)	Enter the annual amount of Social Security, Supplemental Security Income, pensions, military retirement, etc.
Column (C)	Enter the annual amount of income received from public assistance (i.e., TANF, general assistance, disability, etc.)
Column (D)	Enter the annual amount of alimony, child support, unemployment benefits, or any other income regularly received by the household.
Row (E)	Add the totals from columns (A) through (D) above. Enter this amount.

Part IV – Income from Assets

See HUD Handbook 4350.3 for complete instructions on verifying and calculating income from assets, including acceptable forms of verification.

From the third party verification forms obtained from each asset source, list the gross amount anticipated to be received during the 12 months from the effective date of the certification. List the respective household member number from Part II and complete a separate line for each member.

Column (F)	List the type of asset (i.e., checking account, savings account, etc.)
Column (G)	Enter C (for current, if the family currently owns or holds the asset), or I (for imputed, if the family has disposed of the asset for less than fair market value within two years of the effective date of (re)certification).
Column (H)	Enter the cash value of the respective asset.
Column (I)	Enter the anticipated annual income from the asset (i.e., savings account balance multiplied by the annual interest rate).

TOTALS Add the total of Column (H) and Column (I), respectively.

If the total in Column (H) is greater than $5,000, you must do an imputed calculation of asset income. Enter the Total Cash Value, multiply by 2% and enter the amount in (J), Imputed Income.

Row (K) Enter the Greater of the total in Column (I) or (J)

Row (L) Total Annual Household Income from All Sources Add (E) and (K) and enter the total

Exhibit C to Declaration of Restrictive Covenants

Certificate of
Continuing Program Compliance

Date: ___________________

The following information with respect to the Project located at ____________________, Cottage Grove, Minnesota (the "Project"), is being provided by ____________________ (the "Owner") to the Cottage Grove Economic Development Authority (the "EDA"), pursuant to that certain Declaration of Restrictive Covenants, dated the ____ day of ____________, 202_ (the "Declaration"), with respect to the Project:

(A) The total number of Rental Housing Units which are available for occupancy is 144. The total number of these units occupied is _________________.

(B) The following Rental Housing Units (identified by unit number) are currently occupied by "Qualifying Tenants" as the term is defined in the Declaration (for a total of 37 units):

One bedroom apartment
Two bedroom apartment
Three bedroom apartment

(C) The following Rental Housing Units which are included in (B) above, have been re-designated as Rental Housing Units for Qualifying Tenants since _______________, 202_, the date on which the last "Certificate of Continuing Program Compliance" was filed with the EDA by the Owner:

Unit Number	Previous Designation of Unit (if any)	Replacing Unit Number
___________	_________________	_________________
___________	_________________	_________________

(D) The following Rental Housing Units are considered to be occupied by "Qualifying Tenants", as the term is defined in the Declaration based on the information set forth below (for a total of at least 37 units):

	Unit Number	Last Name of Tenant	Number of Persons Residing in the Unit	Number of Bedrooms	Total Adjusted Gross Income	Date of Initial Occupancy	Age	Date Vacated and Held for Qualifying Tenants, if Applicable
1								
2								
3								
4								
5								
6								
7								
8								
9								
10								
11								
12								
13								
14								
15								
16								
17								
18								
19								
20								
21								
22								
23								
24								
25								
26								
27								
28								
29								
30								

(E) The Owner has obtained a "Certification of Tenant Eligibility," in the form provided as Exhibit B to the Declaration, from each Tenant named in (D) above, and each such Certificate is being maintained by the Owner in its records with respect to the Project. Attached hereto is the most recent “Certification of Tenant Eligibility” for each Tenant named in (D) above who signed such a Certification since ______________, 202__, the date on which the last “Certificate of Continuing Program Compliance” was filed with the EDA by the Owner.

(F) In renting the Rental Housing Units in the Project, the Owner has not given preference to any particular group or class of persons (except for persons who qualify as Qualifying Tenants and persons meeting the minimum age restrictions); and none of the units listed in (D) above has been rented for occupancy entirely by students, no one of which is entitled to file a joint return for federal income tax purposes. All of the Rental Housing Units in the Project have been rented pursuant to a written lease, and the term of each lease is at least 12 months.

(G) The information provided in this “Certificate of Continuing Program Compliance” is accurate and complete, and no matters have come to the attention of the Owner which would indicate that any of the information provided herein, or in any “Certification of Tenant Eligibility” obtained from the Tenants named herein, is inaccurate or incomplete in any respect.

(H) The Project is in continuing compliance with the Declaration.

(I) The Owner certifies that as of the date hereof at least 37 of the residential dwelling units in the Project are occupied or held open for occupancy by Qualifying Tenants, as defined and provided in the Declaration.

(J) The Project is in continuing compliance with the Declaration.

IN WITNESS WHEREOF, I have hereunto affixed my signature, on behalf of the Owner, on ____________________, 202__.

____

By: ______________________________
Its: ______________________________

EXHIBIT G TO CONTRACT FOR PRIVATE DEVELOPMENT

FORM OF
ASSESSMENT AGREEMENT

and

ASSESSOR'S CERTIFICATION

By and among

THE COTTAGE GROVE ECONOMIC
DEVELOPMENT AUTHORITY

and

ROERS COTTAGE GROVE APARTMENTS LLC

and

COUNTY ASSESSOR FOR WASHINGTON COUNTY, MINNESOTA

This Document was drafted by:

KENNEDY & GRAVEN, Chartered (RHB)
150 South Fifth Street Suite 700
Minneapolis, MN 55402
(612) 337-9300

THIS ASSESSMENT AGREEMENT, dated as of this ___ day of __________, 2024, by and between the Cottage Grove Economic Development Authority, a public body corporate and politic under the laws of Minnesota (the "EDA"), and ____, a ___________________________________ under the laws of _________________(the "Owner").

WITNESSETH:

WHEREAS, on or before the date hereof, the EDA and the Owner have entered into a Contract for Private Development (the "Agreement") concerning the property legally described on Exhibit A hereto, (the "Development Property"); and

WHEREAS, pursuant to the Agreement, the Owner will construct a rental housing facility consisting of approximately 144 Rental Housing Units (the "Minimum Improvements"); and

WHEREAS, the EDA and the Owner desires to establish a minimum market value for the Development Property and the Minimum Improvements to be constructed thereon, pursuant to Minnesota Statutes, section 469.177, Subd. 8; and

WHEREAS, the EDA and the County Assessor for Washington County, Minnesota have reviewed the Plans for the Minimum Improvements which the Owner has agreed to construct on the Development Property pursuant to the Agreement.

NOW, THEREFORE, the parties to this Assessment Agreement, in consideration of the promises, covenants and agreements made herein and in the Agreement by each to the other, do hereby agree as follows:

1. The Minimum Market Value for the Development Property with the Minimum Improvements shall be Thirty-Two Million Four Hundred Thousand Dollars ($32,400,000). The parties agree that this Minimum Market Value shall be placed against the Development Property as of January 2, 2027, for taxes payable beginning in 2028 notwithstanding any failure to start or complete construction of such Minimum Improvements by that date.

2. The Minimum Market Value herein established shall be of no further force and effect and this Assessment Agreement shall terminate on the Termination Date. The Termination Date has the meaning given to it under the Agreement.

3. This Assessment Agreement shall be promptly recorded by the Owner with a copy of Minnesota Statutes, section 469.177, Subd. 8 set forth in Exhibit B hereto. The Owner shall pay all costs of recording this Assessment Agreement.

4. Neither the preambles nor the provisions of this Assessment Agreement are intended to, nor shall they be construed as, modifying the terms of the Agreement. Unless the context indicates clearly to the contrary, the terms used in this Assessment Agreement shall have the same meaning as the terms used in the Agreement.

5. This Assessment Agreement shall inure to the benefit of and be binding upon the parties and their successors and assigns.

6. Each of the parties has authority to enter into this Assessment Agreement and to take all actions required of it and has taken all actions necessary to authorize the execution and delivery of this Assessment Agreement.

7. In the event any provision of this Assessment Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

8. The parties hereto agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements, amendments and modifications hereto, and such further instruments as may reasonably be required for correcting any inadequate, or incorrect, or amended description of the Development Property, or for carrying out the expressed intention of this Assessment Agreement.

9. Except as provided in Section 8 hereof, this Assessment Agreement may not be amended nor any of its terms modified except by a writing authorized and executed by all parties hereto.

10. This Assessment Agreement may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

11. This Assessment Agreement shall be governed by and construed in accordance with the laws of Minnesota.

****

COTTAGE GROVE ECONOMIC
DEVELOPMENT AUTHORITY

By: ____________________________________
________________, President

And by: ____________________________________
___________________, Executive Director

STATE OF MINNESOTA)
) ss.
COUNTY OF ___________)

The foregoing instrument as acknowledged before me this ____ day of ____________, 2024, by _____________, the President of the Cottage Grove Economic Development Authority, a public body corporate and politic under the laws of Minnesota, on behalf of the Economic Development Authority.

____
Notary Public

STATE OF MINNESOTA)
) ss.
COUNTY OF ___________)

The foregoing instrument as acknowledged before me this ____ day of ____________, 2024, by _____________, the Executive Director of the Cottage Grove Economic Development Authority, a public body corporate and politic under the laws of Minnesota, on behalf of the Economic Development Authority.

____
Notary Public

ROERS COTTAGE GROVE APARTMENTS LLC,
a limited liability company under the laws of Delaware

By: Roers Cottage Grove Apartments Manager LLC, a Minnesota limited liability company
Its: Manager

By: Roers Companies Project Holdings LLC, a Minnesota limited liability company
Its: Manager

By: ____________________________
Name: Shane E. LaFave
Its: Vice President of Development

STATE OF MINNESOTA)
) SS.
COUNTY OF ________)

The foregoing instrument was executed before me this _____ day of _______________, 202__, by Shane E. LaFave, the Vice President of Development of Roers Companies Project Holdings LLC, a Minnesota limited liability company, the Manager of Roers Cottage Grove Apartments Manager LLC, a Minnesota limited liability company, the Manager of Roers Cottage Grove Apartments LLC, a Delaware limited liability company, on behalf of the company.

CERTIFICATION BY ASSESSOR

The undersigned, having reviewed the plans and specifications for the improvements to be constructed and the market value assigned to the land upon which the improvements are to be constructed, and being of the opinion that the minimum market value contained in the foregoing Agreement appears reasonable, hereby certify as follows: The undersigned Assessor being legally responsible for the assessment of the described property, hereby certifies that the market value assigned to such land and improvements at the property, legally described on Exhibit A attached hereto, shall be not less than Thirty-Two Million Four Hundred Thousand Dollars ($32,400,000) as of January 2nd, 2027, for taxes payable beginning in 2028, until termination of this Agreement.

____
County Assessor for
Washington County, Minnesota

STATE OF MINNESOTA)
) ss.
COUNTY OF WASHINGTON)

The foregoing instrument was acknowledged before me this ______ day of __________, 2024, by __________________________, the County Assessor, Washington County, Minnesota.

____
Notary Public

EXHIBIT A
TO ASSESSMENT AGREEMENT

The Development Property is legally described as follows:

[to be completed]

EXHIBIT B
TO ASSESSMENT AGREEMENT

Section 469.177, subd. 8. **Assessment Agreements**. An authority may enter into a written assessment agreement with any person establishing a minimum market value of land, existing improvements, or improvements to be constructed in a district, if the property is owned or will be owned by the person. The minimum market value established by an assessment agreement may be fixed, or increase or decrease in later years from the initial minimum market value. If an agreement is fully executed before July 1 of an assessment year, the market value as provided under the agreement must be used by the county or local assessor as the taxable market value of the property for that assessment. Agreements executed on or after July 1 of an assessment year become effective for assessment purposes in the following assessment year. An assessment agreement terminates on the earliest of the date on which conditions in the assessment agreement for termination are satisfied, the termination date specified in the agreement, or the date when tax increment is no longer paid to the authority under section 469.176, subdivision 1. The assessment agreement shall be presented to the county assessor, or city assessor having the powers of the county assessor, of the jurisdiction in which the tax increment financing district and the property that is the subject of the agreement is located. The assessor shall review the plans and specifications for the improvements to be constructed, review the market value previously assigned to the land upon which the improvements are to be constructed and, so long as the minimum market value contained in the assessment agreement appears, in the judgment of the assessor, to be a reasonable estimate, shall execute the following certification upon the agreement:

> The undersigned assessor, being legally responsible for the assessment of the above described property, certifies that the market values assigned to the land and improvements are reasonable.

The assessment agreement shall be filed for record and recorded in the office of the county recorder or the registrar of titles of each county where the real estate or any part thereof is situated. After the agreement becomes effective for assessment purposes, the assessor shall value the property under section 273.11, except that the market value assigned shall not be less than the minimum market value established by the assessment agreement. The assessor may assign a market value to the property in excess of the minimum market value established by the assessment agreement. The owner of the property may seek, through the exercise of administrative and legal remedies, a reduction in market value for property tax purposes, but no city assessor, county assessor, county auditor, board of review, board of equalization, commissioner of revenue, or court of this state shall grant a reduction of the market value below the minimum market value established by the assessment agreement during the term of the agreement filed of record regardless of actual market values which may result from incomplete construction of improvements, destruction, or diminution by any cause, insured or uninsured, except in the case of acquisition or reacquisition of the property by a public entity. Recording an assessment agreement constitutes notice of the agreement to anyone who acquires any interest in the land or improvements that is subject to the assessment agreement, and the agreement is binding upon them.

EXHIBIT H TO CONTRACT FOR PRIVATE DEVELOPMENT

PROFORMA, LOOKBACK, AND TOTAL DEVELOPMENT COSTS

EHLERS PUBLIC FINANCE ADVISORS

Roers WF Housing
City of Cottage Grove
Total Development Costs
144 Mixed-Income Apts

USES		Amount	% of Cost	Per Unit
ACQUISITION COSTS		**1,318,000**	**3.0%**	**9,153**
Land Cost	$7.80 psf	1,318,000	3.0%	9,153
CONSTRUCTION COSTS		**32,274,000**	**74.0%**	**224,125**
Residential Building		26,316,000	60.3%	182,750
General Requirements		1,836,000	4.2%	12,750
Builder's Overhead		612,000	1.4%	4,250
Builder's Profit		1,836,000	4.2%	12,750
Contractor Fee		144,000	0.3%	1,000
Construction Contingency		1,530,000	*5.0%*	10,625
PERMITS/FEES		**1,433,856**	**3.3%**	**9,957**
Park Dedication		259,200	0.6%	1,800
Permits/Inspection		480,000	1.1%	3,333
Local SAC/WAC Connection Fees		619,656	1.4%	4,303
Special Inspections		75,000	0.2%	521
PROFESSIONAL SERVICES		**1,529,800**	**3.5%**	**10,624**
Appraisals		40,000	0.1%	278
Architectural & Engineering Fees		821,000	1.9%	5,701
Environmental Assessment Consultant		25,000	0.1%	174
FF&E		288,000	0.7%	2,000
Market Research		5,800	0.0%	40
Soft Cost Contingency		250,000	0.6%	1,736
Survey		25,000	0.1%	174
TIF Lender Counsel		25,000	0.1%	174
City TIF Fees		50,000	0.1%	347
FINANCING COSTS		**4,053,119**	**9.3%**	**28,147**
Construction Period Interest		1,975,296	4.5%	13,717
Const Period Interest TIF Mort		409,497	0.9%	2,844
Inspections - Lenders		30,000	0.1%	208
Insurance - Builder's Risk		535,500	1.2%	3,719
Insurance - Hazard/Liability		125,000	0.3%	868
Lender Legal		75,000	0.2%	521
Loan Origination Fees		245,475	0.6%	1,705
TIF Loan Orig Fee		39,851	0.1%	277
Security Cameras During Const		125,000	0.3%	868
Real Estate Taxes During Construction		100,000	0.2%	694
Title & Recording		267,500	0.6%	1,858
Borrower Counsel - Partnership		100,000	0.2%	694
Loan Costs		25,000	0.1%	174
DEVELOPER FEE		**2,586,101**	**5.9%**	**17,959**
Developer Fee		2,586,101	5.9%	17,959
CASH ACCOUNTS/ESCROWS/RESERVES		**414,569**	**1.0%**	**2,879**
Operating Reserves		270,570	0.6%	1,879
Marketing Reserve		144,000	0.3%	1,000
		43,609,445	100%	302,843

12/5/2023

Roers WF Housing
City of Cottage Grove
44 Mixed-Income Apts
Multi-Year Operating Proforma

Income			2025 Year 1	2026 Year 2	Stabilized 2027 Year 3	2028 Year 4	2029 Year 5	2030 Year 6	2031 Year 7	2032 Year 8	2033 Year 9	2034 Year 10	2035 Year 11	2036 Year 12	2037 Year 13	2038 Year 14	2039 Year 15	2040 Year 16
Rental Income		Inflator																
Gross Potential Rent		2.5%	2,956,051	3,029,952	3,105,701	3,183,343	3,262,927	3,344,500	3,428,113	3,513,815	3,601,661	3,691,702	3,783,995	3,878,595	3,975,560	4,074,949	4,176,822	4,281,243
Less: 5.0% Stabilized Vacancy			(147,803)	(151,498)	(155,285)	(159,167)	(163,146)	(167,225)	(171,406)	(175,691)	(180,083)	(184,585)	(189,200)	(193,930)	(198,778)	(203,747)	(208,841)	(214,062)
Less: Additional Pre-stabilization Vacancy			(2,726,321)	(289,392)														
Total Rental Income			81,927	2,589,062	2,950,416	3,024,176	3,099,781	3,177,275	3,256,707	3,338,125	3,421,578	3,507,117	3,594,795	3,684,665	3,776,782	3,871,201	3,967,981	4,067,181
Other Residential Income	Vacancy Rate	Inflator																
Structured Parking	5.0%	2.5%	78,439	80,400	82,410	84,470	86,582	88,747	90,965	93,239	95,570	97,960	100,409	102,919	105,492	108,129	110,832	113,603
RUBS	5.0%	2.5%	224,780	230,400	236,160	242,064	248,116	254,318	260,676	267,193	273,873	280,720	287,738	294,931	302,305	309,862	317,609	325,549
Number used to Illustrate Lookback	5.0%	0.0%	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Less: Vacancy			(25,161)	(25,540)	(25,929)	(26,327)	(26,735)	(27,153)	(27,582)	(28,022)	(28,472)	(28,934)	(29,407)	(29,893)	(30,390)	(30,900)	(31,422)	(31,958)
Less: Additional Pre-stabilization Vacancy																		
Total Other Residential Income			478,059	485,260	492,642	500,208	507,963	515,912	524,060	532,411	540,971	549,746	558,739	567,958	577,407	587,092	597,019	607,195
Effective Gross Income (EGI)			559,986	3,074,322	3,443,057	3,524,384	3,607,743	3,693,187	3,780,767	3,870,536	3,962,549	4,056,863	4,153,534	4,252,623	4,354,188	4,458,293	4,565,000	4,674,375
			2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040
Expenses			Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16
Rental Unit Expenses		Inflator																
Operating Expenses		2.50%	547,902	561,600	575,640	590,031	604,782	619,901	635,399	651,284	667,566	684,255	701,361	718,895	736,868	755,290	774,172	793,526
Management Fee: 3.8% of EGI	Fixed to EGI		126,949	116,027	129,943	133,013	136,159	139,384	142,689	146,077	149,549	153,109	156,757	160,497	164,330	168,259	172,286	176,414
Property Taxes		1.00%	17,020	300,000	360,516	364,121	367,762	371,440	375,154	378,906	382,695	386,522	390,387	394,291	398,234	402,216	406,238	410,301
Reserves: $250 PUPY	No Inflation	0.00%	36,000	36,000	36,000	36,000	36,000	36,000	36,000	36,000	36,000	36,000	36,000	36,000	36,000	36,000	36,000	36,000
Modified Rental Expense During Stabilization			(576,534)	(27,206)														
Total Rental Unit Expenses			151,337	986,421	1,102,099	1,123,165	1,144,703	1,166,725	1,189,242	1,212,266	1,235,810	1,259,886	1,284,506	1,309,683	1,335,432	1,361,765	1,388,697	1,416,241
Total Expenses			151,337	986,421	1,102,099	1,123,165	1,144,703	1,166,725	1,189,242	1,212,266	1,235,810	1,259,886	1,284,506	1,309,683	1,335,432	1,361,765	1,388,697	1,416,241
NET OPERATING INCOME			408,649	2,087,901	2,340,958	2,401,219	2,463,040	2,526,462	2,591,525	2,658,269	2,726,739	2,796,977	2,869,028	2,942,939	3,018,756	3,096,528	3,176,304	3,258,134
Tax Increment Financing Revenue	Inflator:	1%	0	58,008	184,719	254,153	256,211	258,286	260,379	262,488	264,614	266,757	268,918	271,096	273,292	275,506	277,737	279,967
ADJUSTED NET OPERATING INCOME			408,649	2,145,909	2,525,677	2,655,371	2,719,252	2,784,749	2,851,903	2,920,757	2,991,353	3,063,734	3,137,946	3,214,035	3,292,048	3,372,034	3,454,041	3,538,121
Yield on Cost Annual Return	Cumulative	Goal 6.50%	0.9%	4.9%	5.8%	6.1%	6.2%	6.4%	6.5%	6.7%	6.9%	7.0%	7.2%	7.4%	7.5%	7.7%	7.9%	8.1%
Yield on Cost Average Annual Return	Start From:	Year 2	0.9%	4.9%	5.4%	5.6%	5.8%	5.9%	6.0%	6.1%	6.2%	6.3%	6.4%	6.5%	6.6%	6.6%	6.7%	6.8%
Yield on Cost Annual Return (w/o TIF assistance)			0.9%	4.8%	5.4%	5.5%	5.6%	5.8%	5.9%	6.1%	6.3%	6.4%	6.6%	6.7%	6.9%	7.1%	7.3%	7.5%
Yield on Cost Average Annual Return (w/o TIF assistance)			0.0%	4.8%	5.1%	5.2%	5.3%	5.4%	5.5%	5.6%	5.7%	5.8%	5.8%	5.9%	6.0%	6.1%	6.2%	6.3%
TIF Note (Net Present Value)	Payment Date		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16
First Half Payment	08/01		0	29,004	92,360	127,076	128,106	129,143	130,189	131,244	132,307	133,379	134,459	135,548	136,646	137,753	138,869	139,993
Second Half Payment	02/01		0	29,004	92,360	127,076	128,106	129,143	130,189	131,244	132,307	133,379	134,459	135,548	136,646	137,753	138,869	139,993
Annual Net Present Value	First Increment:	Year 1	0	52,758	208,459	407,000	592,496	765,802	927,720	1,078,999	1,220,337	1,352,387	1,475,761	1,591,027	1,698,720	1,799,336	1,893,340	1,981,167

TIF Note (Net Present Value) Difference	
Original TIF Term	15
Lookback TIF Term	11
Interest Rate for Present Value	7.75%
Principal Amt. of Original TIF Note	$ 1,960,000
Pricipal Amount of Lookback TIF Note	$ 1,591,027
Difference	$ 368,973
50% Difference	$ 184,486
Pricipal Amount of Lookback TIF Note	$ 1,591,027
Plus 50% Difference	$ 184,486
New Principal Amount of TIF Note	$ 1,775,514

Economic Development Authority Action Request

4.4.

Meeting Date	1/9/2024
Department	Economic Development
Agenda Category	Action Item
Title	Dowdle Art Program
Staff Recommendation	
Budget Implication	
Attachments	1. Dowdle Art Program Memo 2. Puzzle Things and Places

Cottage Grove
Where Pride and Prosperity Meet

TO: President Bailey and Members of the Economic Development Authority
Jennifer Levitt, EDA Executive Director

FROM: Gretchen Larson, Economic Development Director

DATE: January 4, 2024

RE: Dowdle Art Project – Updates and Next Steps

Discussion

At the December 2023 EDA meeting, the board approved an agreement with Dowdle Art Studios to participate in their "Land That I Love" tour for America's 250th birthday starting in 2026. As a part of the agreement, the city is allowed to select 20 unique people and 50 places and things to include in the painting.

As a part of the project, staff created a survey to ask commissions and committees, department heads and staff to submit their top choices for people, places/things that best represent the city to potentially be included in the painting.

At the January 3 City Council Workshop, the ideas for unique people and places/things to be included in the painting, as suggested by the survey respondents, were presented to the Council for consideration. The attached list reflects the final consensus of the Council as to the unique people and places/things that will be reflected in the final painting subject to minor modifications and discussion with the artist.

Now that the list has been finalized staff is working with the department to gather photos of the people/places/things for use by the Dowdle team. We will also have our GIS technician create a map that will notate all the places and things to be included to help the Dowdle team visualize how these elements will work together. We are also gathering historical information about the people/places/things, such as fondly remembered people, restaurants and meeting spaces, that may no longer exist but are important to tell the story of the city as it is translated into the painting.

We will meet with representatives of Dowdle on January 5 to provide them a finalized copy of the agreement with the people, places/things for preliminary discussions. We will also review the schedule for the artist, Eric Dowdle, to come to the city for a tour and also the details leading up to the unveiling event scheduled for June 13 at River Oaks.

Staff will meet with the communications team the week of January 15 to begin discussions of the comprehensive marketing plan that will be created. This effort will include the IT Department team as well since we will need to discuss a point-of-sale system to assist in selling the puzzles to be purchased. The agreement also includes a perpetual license to use the painting image for future marketing efforts so this will be an on-going project. We will update the Council, EDA and CVB boards as the discussions progress and report on milestones as they come up.

Recommendation

Receive report.

Attachments

List of unique people, places and things.

People

1. Mayor Myron Bailey
2. Councilmember Dave Thiede
3. Councilmember Justin Olsen
4. Councilmember Tony Khambata
5. Councilmember Monique Garza
6. Former Mayor Sandy Shiely
7. Washington County Commissioner Karla Bigham
8. Former Washington County Commissioner Myra Peterson
9. Public Safety Director/Police Chief Pete Koerner
10. Former Fire Chief Rick Redenius
11. Santa Gary Spooner
12. Sean William Scott
13. Sam Jacobson
14. James Norris
15. Strawberry Fest Ambassadors (3 total – 2 girls, 1 boy)
16. Strawberry Fest Ambassadors (3 total – 2 girls, 1 boy)
17. Strawberry Fest Ambassadors (3 total – 2 girls, 1 boy)
18. Allie Morse
19. Kerry Lightenberg
20. Jeff Nelson

Places & Things

1. Concrete Arrow
2. Atkinson Cemetery – Mars Family & Tree
3. Cottage View Drive-In
4. American Motorsports Bar
5. The Gold Rush
6. De Mori's
7. Jerry's Restaurant
8. Tom Moy
9. New Moon
10. Jack's 76
11. Sal's Pizza
12. Langdon School Building
13. Movies In The Park
14. Holiday Train
15. Mississippi River/Pelicans & Eagles in the Backwaters/Kayaking/Settlers Island
16. Grey Cloud Kiln
17. Hazen P. Moors Park
18. Park High School
19. Woodridge Inclusive Playground
20. City Hall
21. Central Fire Station

22. HERO Center
23. Camel’s Hump
24. Welcome to CG Sign – Giant Chair
25. Ravine Parkway Banner
26. Cedarhurst Mansion
27. Shepard Farm
28. Furber Farm
29. Country Club Pool
30. VFW Red Barn
31. Cottage Grove Ice Arena
32. River Oaks Golf Course
33. Tank’s Corn Stand
34. Hope Glen Tree House
35. Boondocks
36. Zywiec’s Haunting Experience
37. Bike Park
38. Disc Golf
39. Dog Park
40. Lion’s Club Logo
41. McHattie Farm
42. Strawberry Fest at Kingston Park
43. Hometown Holiday Celebration
44. Food Truck Festival at Kingston Park
45. East Cottage Grove Scramblers
46. Monster Bash Parade
47. Pumpkin Chuck
48. Farmers Market
49. Military Road
50. One Family Festival at Kingston Park

Economic Development Authority Action Request

4.3.

Meeting Date	1/9/2024
Department	Economic Development
Agenda Category	Action Item
Title	Business Retention and Expansion Program – Draft Plan
Staff Recommendation	Receive a draft BRE Plan for review and discussion at an upcoming workshop to be scheduled in February.
Budget Implication	
Attachments	1. BRE Program DRAFT

Cottage Grove
Where Pride and Prosperity Meet

TO: President Bailey and Members of the Economic Development Authority
Jennifer Levitt, EDA Executive Director

FROM: Gretchen Larson, Economic Development Director

DATE: January 4, 2024

RE: Business Retention and Expansion Program – Draft Plan

Background

In fall 2016, the city partnered with the University of Minnesota Extension Program to work on a Business Retention and Expansion (BRE) Strategies Project. As a part of the project, the economic development team was to conduct 50 visits over the course of the next 12 months. The economic development team missed the mark just slightly with 41 visits completed. The survey results, which were released in June 2017, were still considered to be credible with 41 visits. In general, the businesses reported that overall, the city was a safe and great place to live and work.

At that time, businesses reported that their most significant challenges were attracting workforce talent and inability to expand at their current location. The majority of businesses also reported that they had an actionable business plan and that they had selected their location based upon their customer base. In addition, most reported being satisfied or very satisfied with area schools, highway accessibility, utility costs, community attitude towards business, the quality of life, government and regulations in general, and taxes and fees. The lack of dining establishments and hotel accommodations were citied as shortcomings that needed to be addressed and most businesses also wanted to see more community events and festivals.

After the original study in 2017 was concluded, the economic development team continued on with the program by creating priority work plans for years 2018-2021 and even with the COVID crisis which caused enormous interruptions in workflows, the team still managed to keep the program moving forward.

Discussion

During latter half of 2022 and 2023 changes in staffing and other projects caused the official BRE program to be suspend. Now that the numerous staffing changes have been resolved, it is time to resume the work that was temporarily suspend and a reboot of BRE Program is planned for 2024. A draft plan that formalizes with work already completed is attached for review.

Recommendation

Receive a draft BRE Plan for review and discussion at an upcoming workshop to be scheduled in February.

Attachments

Draft Business Retention and Expansion Program

Cottage Grove

Where Pride and Prosperity Meet

Business Retention and Expansion Program

DRAFT PLAN

January 9, 2024

BUSINESS RETENTION & EXPANSION PROGRAM OVERVIEW

The City of Cottage Grove Business Retention and Expansion (BRE) Program is a community-based program used to open lines of communication and build relationships among the City and local businesses in order to maintain a healthy local economy and an improved business climate. The Cottage Grove BRE Program promotes job growth and business expansion by helping identify concerns and barriers to the survival and growth of local businesses.

Program Goals

• Establish and build relationships with local employers to accurately assess their business needs, challenges, or opportunities for expansion and growth.

• Provide better information and understanding for all local leaders of the strengths and weaknesses of the business climate.

• Foster more employment opportunities.

• Build cooperation and consensus among local government, economic development organizations, and businesses and support collective action focused on improving the local and regional business climate.

Short-term objectives

• Provide community support for local business

• Help businesses improve profitability

• Identify and address immediate concerns of individual business

• Let local businesses know how much they are valued in the community

• Establish an implementation plan to improve the business climate

• Compile an inventory of existing businesses with contact information

Long-term objectives

• Increase the competitiveness of local businesses

• Promote business development and job creation

• Establish an implementation plan of action for business growth

Ultimately, BRE programs serve to answer the following two questions:

1) Who can we help to grow in order to expand employment and the tax base? and,

2) Who is at risk of closing or moving that we can help to stay open or remain in the community.

Additionally, the BRE Program will assist the City, the Economic Development Department, community partners and leaders gather business intelligence on local businesses. BRE surveys, company visits, and other formal or informal data gathering techniques can also provide a snapshot of the community's business climate.

BUSINESS SELECTION & VISITS

The City of Cottage Grove greatly values its existing businesses and is poised to assist in their growth and expansion. A key factor in the BRE Program is business visits. These are visits made to as many area businesses as possible and help build relationships between business leaders and the economic development team. These visits create a connection between staff and businesses so as problems or obstacles arise, businesses know who to contact for assistance. The information gathered during such visits typically provides insights on local business needs, plans for relocation, expansion, or closure, and perceptions or attitudes of the business community.

How does it work?

Economic Development Program staff will arrange a site visit with a designated company. Before the visit, staff will collect information and conduct research on the business via available public records such their website, competitors, and other information that may be useful during discussions. During the visit, staff will connect with the business and fill out the associated business survey document (see attached). Following the visit, staff will work to resolve any issues or questions that arise during the meeting, follow-up as needed, or make connections to other partners or resources. After the visit, the business is encouraged to contact staff as appropriate when assistance is needed. These efforts are meant to assist existing companies to ensure their retention and expansion within the community.

How many visits are scheduled and how do they occur?

- Visits: 10-15 targeted per size/focus area
- Visits may be conducted face-to-face or virtually

Who conducts the visits?

- City Economic Development staff (may include City Councilmembers)
- Other business industry partners as appropriate

What are the benefits?

- Provides companies with an economic development contact within the City to address issues or needs.
- Provides the City with greater insight and understanding of companies and their key decision makers.
- Increases communication and cooperation between the City and local companies.

The following section outlines the general steps in the BRE business visit process.

Introductory Contact

Initial contact with the businesses will be made by a staff member via the preferred contact method (typically phone or email) to schedule a visit. This allows staff to make introductions or get a preliminary idea of what information or resources will be helpful to have prepared for the visit. The preliminary call or email will assist in determining what partners should perhaps join on the visit and better prepare the team in researching for resources to address any concerns and having them prepared for the visit.

Business Survey Form

A Business Survey (Attachment A) will be used during site visits to guide data collection and discussion. By using a consistent survey, staff is able to track businesses that have been contacted, categorize and better address concerns, and identify trends both within specific industries and other categories.

Follow-Up

A “thank you” card will be sent to each person interviewed after the meeting expressing the City’s appreciation for the business. Staff proposes a Client Relationship Management (CRM) system or similar, for tracking and follow-up. Staff will maintain a contact list by company and input all information gathered into the system. Staff can then re-evaluate any business needs at the end of the year. If concerns are brought up during the initial interview, they will be addressed afterward with the appropriate persons, and actions taken will be relayed to the business. When needed, an additional visit will be made with appropriate representatives from the BRE team to address the issues.

Business Selection Process

Staff will include a cross-section of businesses in the city in the visitation cycle. The City Economic Development Department will devise a process for selecting which businesses receive a visit based on various goals and targets. This process will allow for diversity and inclusion of particular subgroups of interest within the business community. Part of this process involves using the two-digit North American Industry Classification System (NAICS) business sector coding to ensure adequate representation of businesses chosen from each sector of the local economy. Businesses will be prioritized using selection criteria including number of employees, building size, land and building space available for potential expansion, and other business factors. Although this method is not statistically representative of the greater business population, it will provide the team with information from businesses in the following sub-categories: large, medium, small, and start-up.

Businesses may be chosen at random or may be selected based on key factors or economic criteria. These businesses can include but are not limited to:

• Long-standing businesses in the community;
• Creative, model businesses;
• Large employers;
• New businesses with growth potential;
• Minority-owned businesses;
• Businesses that serve an ethnic market;
• Businesses that serve existing businesses; and
• Unusual businesses that add character.

TIMELINE

Successful BRE programs are cyclical and continuous. Knowing what the issues are for businesses is an ongoing process for business and economic support organizations. Throughout the BRE cycle, there are months devoted to collecting and assessing data, providing reports to stakeholders, evaluating the effectiveness of the program, and making any needed adjustments. The cycle concludes with an evaluation period that includes follow-up on immediate 'red flag' issues in addition to short and long terms action plans. The follow-up phase is ongoing and includes action throughout the year to address concerns or needs.

BRE visit cycle	January – August
Evaluation period	September – December

PARTNERS/LOCAL RESOURCES

It takes a team of community and regional stakeholders to make a BRE program effective.

A critical component of the BRE Program will be to build a team of economic, community and workforce development organizations that provide programs, resources, and services to the business community. With a team of service and resource providers in place, we will more effectively build a cohesive, responsive approach to address the needs of businesses in the city.

The following groups/organizations will be utilized to assist in successfully supporting the business community:

• EDA
• Washington County CDA
• Chamber of Commerce
• Career Workforce Solutions
• MCCD
• DEED
• Individual business leaders in the community
• Utility companies

ACTIVITIES & INITIATIVES

Fostering relationships with businesses and business leaders requires intentional engagement and support. We must go beyond the basic business surveys and visitation model to a more comprehensive, value-added model that can address various aspects of business operations, including marketing, finances, workforce training and development, and strategic planning. Therefore, in addition to the business visits, there are other factors to the BRE plan that can be considered to strengthen engagement within the business community. These include:

• Small business workshops
• Online economic development newsletter (E-Connect)
• Annual Business Survey
• Networking opportunities/Peer Roundtables
• Workforce Development
• Access to local business resources
• Access to funding sources

As with all of the above activities can be addressed with the assistance of our community partners such as the Chamber of Commerce, MCCD, Washington County Career Workforce, and others.

DATA COLLECTION

The information gathered from visits and surveys can provide valuable intelligence on the successes and obstacles facing businesses in the city. This information then helps the Economic Development team identify the key issues that need to be addressed. It also helps to tailor the programs and support services that provide the most value to local businesses.

The goal of the program is to capture both quantitative and qualitative data regarding business operations, expansions, challenges, and the overall business climate. The following are representations of the type of data sets that will be collected.

<u>Quantitative Measures</u>

• Number jobs created/retained
• Number of retained businesses
• Cost per job created/retained
• Number of businesses visited
• Number of businesses surveyed
• Number of businesses assisted
• Percent of jobs held by local residents/LMI
• Average salary of jobs created

<u>Qualitative Measures</u>

• Business perceptions of local government
• Business perceptions of the community
• Relationship between business retention programs and city services available to businesses (e.g. workforce development initiatives)
• Involvement of assisted businesses in other community activities

ASSESSING RESULTS

During the evaluation period (September-December), the information gathered during the visit cycle will be evaluated for general needs the businesses may have as well as to assess the success of our approach to supporting the business community. For example, tracking how many businesses have remained open and how many have expanded their activities can indicate whether or not the BRE program efforts are producing results. An annual assessment of the program will provide information on which aspects of the program worked well and which did not.

Questions to be considered in evaluating the BRE Program

• To what extent was the BRE initiative effective in retaining and/or expanding business in our community?
• What changes occurred in the community as a result of BRE? Why?
• What statistics or stories (e.g. a business did not relocate because of the program) can we report back to the community?
• What objectives were not achieved? Why not?
• What challenges or opportunities did we experience in terms of implementing the project?

Report Results

The Economic Development Department will communicate BRE results through periodic reports that summarizes the BRE activities. BRE visit and survey data, along with other reports, will be compiled into discernible trends to inform City Council, EDA, stakeholders, investors, and the public. These periodic reports will be used to help track progress and identify things that require attention, as well as acknowledge achievements. Relevant information in these reports may include number of BRE visits, expansion plans, perception of the area's business climate, utilization of economic development programs, and more.

Attachment A – Business Retention and Expansion (BR&E)
Interview Guide

COMPANY INFORMATION

Company Name:

Contact Name/Email:

Visit Date:

Interviewers:

BUSINESS AND FACILITY DETAILS:

Primary Business Sector?

Type of facility (select all that apply):

☐ Branch ☐ Distribution ☐ Franchise ☐ Headquarters ☐ Home-based ☐ Manufacturing ☐ R&D
☐ Sales-Office

Is this facility owned or leased? Owned Leased

Does company have a succession plan? YES NO

Has the company ownership changed? YES NO

Or is change imminent? YES NO

Explain:

Over the past year, have company sales (select one):

☐ Increased ☐ Decreased ☐ Been relatively stable ☐ Fluctuated widely ☐ Not identified

What has contributed to the increase or decrease in sales?

PRODUCTS AND SERVICES
What are the company's major products and services?

Has this company introduced new products? YES NO
Briefly describe new products:

EMPLOYMENT AND WORKFORCE

How many full-time employees are at this facility?

What is the average hourly starting wage paid to employees in each department?

Has the number of employees at this facility changed in the past year (select one):

☐ Increased ☐ Decreased ☐ Stayed the same

If increased, how many employees have been hired in the past year? ______

In the next year, do you expect the number of jobs at facility to (select one):

☐ Increase ☐ Decrease ☐ Be relatively stable ☐ Unsure

Do you plan to hire in the next 2-5 years? YES NO

If yes, how many employees do you anticipate hiring? _______

What types of jobs are you hiring?

If you have hired in the past year, was it hard to fill positions? YES NO

What contributed to the challenges in filling open positions? (select all that apply):

☐ Poor work ethic ☐ Lack of basic education ☐ Lack of technical skills ☐ Lack of candidates
☐ Challenging location ☐ Competition ☐ Other

Do you anticipate needing to train existing employees: YES NO

What type of training is needed?

Does the community have enough housing and the right type of housing for your future employees?

YES NO

MARKET INFORMATION

Company's primary market (select one):

☐ International ☐ United States ☐ Midwest (including MN) ☐ Minnesota ☐ Local

Company's fastest growing geographic market (select one):

☐ International ☐ United States ☐ Midwest (including MN) ☐ Minnesota ☐ Local ☐ Not identified

Do you export or have clients outside of the United States? YES NO

If so, where (select all that apply):

☐ Africa & Middle East ☐ Canada ☐ Europe & Russia ☐ Greater China ☐ India, Pakistan, Central/South Asia

☐ Japan & Korea ☐ Southeast Asia ☐ Australia & Pacific Oceania ☐ Latin America & Caribbean ☐ Mexico

☐ Other __________________

Percent of sales outside of the US?

Are you interested in exporting or learning how to obtain clients outside of the U.S. (exporting)?
☐ Yes ☐ No

INVESTMENT PLAN

Does the company plan to (check all that apply)

☐ Invest in new facilities ☐ Make major equipment purchase ☐ Renovate/Expand current facilities
☐ None

Approximate date of investment (select one):

☐ Within one year ☐ Within two years ☐ Within three years ☐ Unsure

Do you currently have room on your site to expand? YES NO

If investing in new location, why (select all that apply)?

☐ Access to labor ☐ Access to markets ☐ Environmental permit obstacles ☐ High state taxes
☐ High local taxes ☐ Labor costs ☐ Lease expiration ☐ No room at this location ☐ Quality of workforce
☐ Transportation/infrastructure ☐ Other _____________________

COMMUNITY

What are the strengths and weaknesses of the community?

Have you interacted with any of the departments at City Hall? If so, what department and please describe your experience.

Are there any priority projects or initiatives the City should consider in order to enhance the business climate?

How has or is the COVID-19 pandemic affecting your business and what resources do you need to continue to operate efficiently in the community?

Rank the local business climate: Community Rankings: 1 = Poor 5 = Great						
<u>Education and Training</u>						
K-12	1	2	3	4	5	n/a
Higher education	1	2	3	4	5	n/a
Customized Training Programs	1	2	3	4	5	n/a
Overall Workforce Quality	1	2	3	4	5	n/a
<u>Transportation/Location</u>						
Public Transportation	1	2	3	4	5	n/a
Highway Infrastructure	1	2	3	4	5	n/a
Air Service	1	2	3	4	5	n/a
Proximity to Suppliers	1	2	3	4	5	n/a
<u>Quality of Life</u>						
Recreational Opportunities	1	2	3	4	5	n/a
Cultural Opportunities	1	2	3	4	5	n/a
Crime Rate	1	2	3	4	5	n/a
Social Organizations and Networks	1	2	3	4	5	n/a
Housing Supply for Workforce	1	2	3	4	5	n/a
<u>Local Access to Capital</u>						
Lending by local financial institutions	1	2	3	4	5	n/a
Assistance from local governments and/or non-profits	1	2	3	4	5	n/a
<u>Local Business Support</u>						
Community attitude toward business	1	2	3	4	5	n/a
Chamber of Commerce	1	2	3	4	5	n/a
Economic Development Authority	1	2	3	4	5	n/a
<u>Local Government</u>						
Fire Department	1	2	3	4	5	n/a
Police Department	1	2	3	4	5	n/a
Planning and Zoning	1	2	3	4	5	n/a
Code Enforcement	1	2	3	4	5	n/a
<u>Government and Regulations</u>						
Attitude towards business	1	2	3	4	5	n/a
Local Taxes	1	2	3	4	5	n/a
Local fees	1	2	3	4	5	n/a
<u>Utilities</u>						
Telecommunications/Broadband Service	1	2	3	4	5	n/a
Telecommunications/Broadband Rates	1	2	3	4	5	n/a
Electric Rates	1	2	3	4	5	n/a
Electric Reliability	1	2	3	4	5	n/a

POST DISCUSSION VISIT

Does this company require follow up? YES NO

If yes, what organization(s) should assist (select all that apply):

☐ City ☐ Chamber ☐ College ☐ State ☐ Workforce ☐ GREATER MSP ☐ Other

Pre-Survey Questions

City of Cottage Grove
Calendar of Upcoming Events

DATE	EVENT	TIME	LOCATION
Wednesday, January 17, 2024	Legislative Agenda	4:45 PM	City Hall Training Room
Wednesday, January 17, 2024	City Council Meeting	7:00 PM	Council Chambers
Monday, January 22, 2024	Planning Commission	7:00 PM	Council Chambers
Monday, February 12, 2024	Parks and Recreation Meeting	7:00 PM	Council Chambers