

MINUTES

COTTAGE GROVE CITY COUNCIL

May 15, 2024

**COUNCIL CHAMBER
12800 RAVINE PARKWAY SOUTH
COTTAGE GROVE, MN 55016**

WORKSHOP - OPEN TO THE PUBLIC - 6:00 P.M TRAINING ROOM

1. CALL TO ORDER

The City Council of the City of Cottage Grove, Washington County, Minnesota, held a workshop, open to the public, on May 15, 2024, at Cottage Grove City Hall, 12800 Ravine Parkway. Mayor Bailey called the workshop to order at 6:00 p.m.

2. WORKSHOPS - OPEN TO THE PUBLIC

Mayor Bailey stated he'd turn this workshop over to Emily Schmitz, Community Development Director, regarding a housing development project by Real Estate Equities.

Director Schmitz stated Blaine Barker with Real Estate Equities is here this evening to share with you their initial concept idea. They're looking at a parcel, referred to as the Zywiec 40, at Hadley Avenue and 100th Street. He's also going to provide some details regarding financing of their proposed affordable project.

Mr. Barker thanked Emily and the Council for having him be here this evening. He stated Real Estate Equities is a multifamily housing developer, owner, and operator, based in St. Paul. We currently own and manage about 4,500 apartment units, mainly in the Twin Cities, some in Rochester, and some in Arizona. The majority of them have some level of affordability income and rental restrictions, which is what we'd like to propose to the City this evening.

Mr. Barker displayed examples of some recent developments that they've built in Eagan, St. Louis Park, Coon Rapids, and Rochester. One thing we want to reiterate is even though we are proposing an affordable workforce housing development, we build it to market-rate standards. He showed exterior and interior photos: Apartment interiors included granite countertops, LVT flooring, high-quality cabinetry, in unit washer-dryer. Amenities include a fitness center, clubrooms, dog run, and playground. We don't necessarily have all of the bells and whistles like a pool or rooftop decks, that you might see in a market-rate development, but we're pretty close with how we build an average, standard development.

He stated almost everything we develop, own, and manage as a company is affordable; typically, that's 60% of the Area Median Income (AMI) based on the seven county metro area, as determined by HUD. What that means is we're targeting people who make between \$52,000 and \$80,000, depending on the size of the household. That equates to rents of about \$1,300 to \$1,800, by unit size. A one bedroom is \$150 below a typical market-rate development, up to as much as \$400-\$600 on three-bedroom units.

What we're proposing tonight is a four-story, 164-unit development on the corner of Hadley Avenue and 100th Street. He displayed a preliminary rendering and stated we're looking for all of your feedback this evening. We like to build a majority of two- and three-bedroom units. We really aim our development towards families, so that's why we have the higher concentration in those unit types. We like to build to like a 1.8 parking ratio, which we found is adequate for a development of this type with these units. We typically see residents maybe own in the 1.4 to 1.5 cars-per-unit range, but we also need to account for visitor parking and staff parking; so, we found that 1.8 is kind of the sweet spot there.

We are proposing 35 units per acre, which currently exceeds what is currently allowed for the City's Planned Use and Zoning Code; so, that is one of the items we'd like your feedback on this evening is if you would entertain a request to upzone the property as part of the affordable housing. We'll also be asking the City to act as a conduit bonds issuer for us. We don't know the details on this tonight but we may be back in the future, if this development progresses, to discuss financial assistance; right now, we're in the very preliminary stages, so we don't know what that looks like. We're still more focusing on the density we're proposing and then the support for the conduit financing.

Mr. Barker stated he would welcome any questions and feedback at this time.

Mayor Bailey thanked Mr. Barker for presenting and sharing with us your vision.

Mayor Bailey stated he actually had a few questions for staff:

1) On the map that was included in the packet that you gave us, is 5 going to be an actual parcel or is 5 going to be stormwater?

Director Schmitz replied we're looking into the stormwater option, if that's something that could work. Administrator Levitt has been involved in kind of what that process is looking like with Capstone, if we create some lots on 4 and create some additional stormwater.

2) On Parcel 1, is it currently medium density? Is that the difference between what they're proposing, because it was medium and they're looking for high, right?

Director Schmitz replied yes, and so, thinking about transferring the density from the 35 acres, the driving range, that now will be preserved as open space.

3) On the back side there, where they're doing the parking, first of all, I do like the fact that you're pushing the building away from the townhomes there. Is that going to be a City road that goes out to Hadley, or is that going to be then, on the upper; do you see where it kind of dumps into that neighborhood and then it goes west?

Public Works Director Ryan Burfeind replied that's staying a City road with the South District. So that's where that's happening, but how it is being maintained is another outlet from that neighborhood like they have today.

Mayor Bailey stated but right now, if I see this right, up on the top there it looks like they may have a, I don't know if that's a fire lane thing or if that's just a trail. But where 100th comes down, we're going to cut that off right at that neighborhood, correct? Director Burfeind confirmed that.

Mayor Bailey stated okay, I just wanted to make sure I understood where the roads are going to be. So, 100th Street and Hadley is still going to remain up to that first inlet to the townhomes, and then give these guys the access. Okay, great.

Council Member Thiede stated I assume the picture we saw was obviously from the townhomes over there and looking south. How close is the building to 100th? And it's going to be five stories?

Mr. Barker replied it would be four stories; one underground and four above.

Council Member Thiede stated at some point I'd like to see how it all fits with like Parcel 2, where we've got planning, right? And how tall a building?

Director Schmitz replied five stories.

Council Member Thiede stated that's five, from the ground; that was confirmed. He stated we need to make sure that we take a look at what that's going to look like as you come down 100th Street. Parcel 3 may very well end up being some sort of multifamily housing, too, right? So, it's going to cause a tunnel, because if you think about it, you've got these two big buildings. So, I maybe want to see a little bit of how that's all going to look. And what were the density differences again? How much was allowed and how much is proposed?

Director Schmitz replied currently, it's medium density, a maximum of 13 units per acre; high density would be 30 units per acre.

Council Member Thiede asked because it's medium density, would we be changing that parcel to basically high density?

Director Schmitz replied yes, we'd have to do that.

Administrator Levitt stated as you recall, we had that conversation at the workshop on the Code and we talked about those areas; that's when we had 35 acres from the Mississippi Dunes driving range, which the DNR is purchasing, which we'll know by the end of this month. So, if that all is preserved, there's a lot of density that we had proposed on that 35 acres; so, you could do a density transfer through Metropolitan Council to make that argument that this parcel could then be used to support high density so we're not losing our unit counts in the community.

Council Member Khambata stated mixed use commercial is 50 units per acre, isn't it? So, high density still isn't the highest density of this zoning district. I guess my primary questions are regarding the conduit bonding. I just want to clarify that the City's the pass through, the City's not underwriting it or insuring that debt in any way; is that accurate?

Administrator Levitt replied I think you just collect a small administrative fee associated with it, and we didn't pay anything for Dominion because I think they have like a 20-year conduit debt.

Council Member Khambata stated yes, I just wanted to make sure that it's not going to end up something that we have to factor in, unexpected, down the road.

Administrator Levitt stated no.

Council Member Olsen stated Ehlers did a really good job when we did Dominion; maybe we want them to explain it again for us. That might be wise.

Council Member Khambata stated my next question is future financing, what potential amount of money would you be looking to access if we gave a nod on this? I don't know what kind of shortfalls or challenges have you seen on past projects, and what pools of money have you been able to utilize?

Mr. Barker replied the plans are preliminary, so I don't want to throw out a number or anything, we certainly have more homework to do on that. Typically, we use Tax Increment Financing (TIF). I think we would need to work more on that with staff, as well as Ehlers. We haven't done much, but that's typically a resource that we would utilize. Sometimes cities have Housing Trust Funds that we've gone after or at the County level we've had success in Dakota County and Ramsey County. Washington County CDA has GROW funds; I believe they're actually updating their policy that will allow for additional financing for developments such as this. So, those are the avenues we explore when we get to that bridge.

Council Member Olsen stated I agree with the comments that Council Member Thiede made relative to just the general look of the area and is it going to fit within the scope of what we're hoping to accomplish in the area. It sounds like you guys have talked through that a little bit already, in terms of matching up with the other buildings, etc. If we progress, I think it would be neat to see sort of an area photo vs. just your personal project, just to make sure that it feels right and looks right, that kind of thing.

Something that I was curious about in terms of just why here, why now, what is prompting you to seek this particular site? I know you mentioned workforce housing, has it brought somebody to the Business Park? What is it that kind of got you thinking this might be a project we want to move forward on?

Mr. Barker replied certainly, we've been looking at developing in Cottage Grove for several years. We actually looked at an opportunity about four years ago, and at that time, I think the Council didn't feel it was the right development for that particular site. We just haven't found the right opportunity between then and now. What we really like about this site is workforce housing in Cottage Grove is growing; with the amount of industrial development that has happened here, with that increase in the workforce, you need an increase in workforce housing. So, that's really what's attracting us is to see the growth in jobs and the need for housing for people working in the City.

Council Member Olsen said remind me again, are you seeking to develop and hold the property?

Mr. Barker replied yes, so, we would develop, hold, and manage it. This would be using Federal housing tax credits, which signs us up for a 15-year commitment to own the property; otherwise, we have a several million dollar penalty from the Federal government if we were to not do that. So, we will own it for at least 15 years. There are

some properties we've owned for 30 years, but for a minimum, it's 15 years, and we self manage all of our properties.

Council Member Olsen stated that makes me happy. Personally, I'm one-fifth of the vote here, but I like to see developers who pursue it from sort of cradle to grave; like, okay, we're going to build it, but we're also going to hold it and we're also going to manage it. I think that puts more skin in the game for you and it protects us to some degree with regard to what is the condition of this property going to be five-to-ten years from now, etc. Because the last thing you want is to contribute financially through TIF, or whatever the case might be, to have something that kind of starts here that declines over time, that would not be a good scene. So, I'm assuming you do the same with all of the properties you showed us in your slides? Mr. Barker replied yes.

Council Member Olsen asked and you'll have an on-site manager? Mr. Barker replied yes.

Mayor Bailey asked all of those properties that you showed us on the screen, are those all workforce?

Mr. Barker replied they are, yes. These all are very similar in terms of the kind of financing programs, mainly 60% AMI, Federal low-income housing tax credits; so, we have to own all of these for 15 years, at a minimum.

Council Member Olsen asked staff what they thought about the way this will sort of fit into the puzzle on that area, property wise. Are you feeling comfortable with that?

Director Schmitz replied, yes, I would echo Blaine when we look at the growth in the Industrial Park and the employment it brought to the community. This is great when we think about our housing diversity. This is one of those opportunities that will shift that density for this particular location to create that buffer; you have NorthPoint and then you proceed with the additional growth. So, this will create another housing option.

Council Member Olsen asked traffic wise are we going to have any issues? Is there anything we're going to need to do to manage traffic flow? I mean, we get quite a bit of feedback on traffic anytime we do some of these things, so, I'm just curious if that has even come up yet.

Director Burfeind replied with the number of units they're talking about it's usually about four trips per day for that type of development. So, we're talking somewhere around 640 trips per day, and that's definitely no issue. So, 100th Street itself, that it will tie into, used to have a couple thousand cars a day, that's obviously transferring to the new County Road. Really, with that new County Road, the County actually did have a lifecycle traffic study with the Southwest Arterial Study. Even with a two-lane design and turn lanes, it's well below that threshold, and they looked at all of our density projections. So, like Emily said, shifting that 35 acres, that's traffic that would have followed up through this direction regardless. So, there's really no issues from that standpoint.

Council Member Olsen asked in terms of the parking that you're proposing, I know we had some conversations with the folks over by Dunkin' Donuts, and what is the right

size of parking for this sort of facility; you're proposing underground and above ground, is that right?

Mr. Barker replied that's correct, yes.

Council Member Olsen stated okay, so, are we feeling like whatever parking spaces per resident, or whatever the case might be, the ratio, are we feeling comfortable that that's going to work for us?

Director Schmitz replied yes.

Administrator Levitt stated with some of the other units, we've had a lower parking ratio, but given the fact that they're kind of keying towards the two-bedroom and three-bedroom and the families, I think it's a wise idea to have a higher parking ratio. So, I'm guessing that trend has probably held true with their other products.

Council Member Thiede stated right now, you have all the cars coming into the complex there, you've got quite a visible matrix drive to get over into the underground parking. I'm just wondering is there, in terms of whether it's that end or the other end where the underground parking unit is, is it all the way around down there, or how did you design?

Mr. Barker replied so the underground parking will be through the footprint of the entire building.

Council Member Thiede asked is there any reason why you wouldn't put it on the other end, then?

Mr. Barker replied we could look into that. I mean, the site is pretty flat, so I don't think we have issues with the grade, but I think probably how they laid it out is due to retention ponds in the southwest; they're probably factoring in that site can be graded east to west, which means it would be easier to get underground the building on the west side. So, that's the logic there. Now, we could certainly look into a different configuration, though.

Council Member Thiede stated its just an observation. It's not like it's straight across, it going to kind of come off and you'll have to go around a little bit.

Mayor Bailey asked are they going out in the middle then? They're going in on, are they going in and out on the same down there? Mr. Barker replied, yes, it's the same. Mayor Bailey stated so, that'd be half there.

Mayor Bailey stated just from a staff perspective, Council has thoughts for you, and more for you to understand what to be prepared for, so:

- 1) What would be the difference from a townhome pitch roof to the top of this facility?

Director Schmitz asked height wise? Mayor Bailey replied yes, that's one thing.

- 2) You might get some of the neighbors over there that will be concerned that the entrance and exit might be lined up with their neighborhood street. Council Member Olsen stated that was my concern, too. Mayor Bailey stated again, just for you guys to kind of figure out from a layout standpoint, it wouldn't make sense, so be prepared for that.

- 3) The comment was made is if we can some type of schematic from you guys. As you get down towards the corner there, between the two buildings, because we've got the five-story, which would be next to a four-story. Just because I think

it kind of goes back to where Council Member Thiede was saying, what's that distance? I'm just, it's hard to tell. Obviously, the picture of the building looks really nice, but it's just when you get down to that corner there, are they going to be right on top of each other or is there some space?

Council Member Khambata asked is Hadley County Road going to be a four-way stop or a two-way stop?

Director Burfeind replied that'd be a side stop for right now, maybe long term it'd be an all-way stop, but it'd be far down the road. You'd need more development islands to trigger something more.

Mayor Bailey stated those were a couple of things that I heard from Council, just the pitch, the difference. I do like the fact that it's set back further from the townhomes; of course, when you do that, then you create almost the tunnel. Now the tunnel will only be that one area, because to the left, if you follow what staff's proposing on Parcel 4, that would be single family. Mayor Bailey stated Parcel 3 more than likely can be another part of the complex.

Council Member Olsen stated which means that ingress-egress question is even more important if you're thinking about something on Parcel 3.

Council Member Olsen stated in terms of building materials, I know when we deal with developments like this, sometimes we have to make adjustments due to our requirements around building materials. Has that conversation even started yet?

Director Schmitz replied no, we've not gotten into that.

Council Member Olsen stated I would anticipate that will come our way at some point, and you guys know what our answer's going to be.

Council Member Garza asked if all of these Parcels, 1 through 5, is there any opportunity or are we giving the opportunity for retail or anything that's going to go down in there? And I only ask that because we have so many homes there that coffeeshops or hair salons, are any of these types of things within this volume a thought?

Director Schmitz replied as we looked at land use and our long-term decisions, this has always been planned as residential. We didn't think about incorporating the commercial aspect until we think about the other nodes. When we see the extension of 100th and Innovation, the small areas that we're working on, as we accept making that commercial node in that area.

Council Member Olsen stated which would be very close to this.

Council Member Garza stated I had to ask because so many complexes can have their own coffeeshops and stuff. I'm sure that they would think that would be ideal if we could just put it in that area. So, if there were opportunities in any one of the apartments.

Council Member Khambata stated so just to kind of recap, we have something proposed for Parcels 2 and 4, right? Capstone is 4 and then the Rohrs property in 2?

Director Schmitz replied Norhart is in 2.

Council Member Khambata asked would it be possible to just do like a conceptual like top view of kind of how those buildings are projected to be placed? Council Member Thiede stated yes, we were just talking about that. Council Member Olsen stated as we were discussing that earlier, that's one of the ways I think we can maybe best do that is kind of a full grown, you know? Council Member Khambata stated it doesn't need to be like production quality, but I'm just curious about the footprint placement on the parcels.

Council Member Khambata asked are all of these units going to be affordable to somebody at 60% AMI?

Mr. Barker replied yes. Well, at a minimum, that'll be the average; if we get County funds or something, sometimes they want to see lower income and rents, but then allow you to have slightly higher. So, maybe you have a handful of 30% or 50%, and then you'll have a handful of 70%, but they all average the 60%. We have done that a little bit in the past; we do feel 60% AMI is our highest demand, and that's what we like to stay at so we don't like to skew too far from that. But we have in the past been open to doing a little bit of an averaging, so to speak, of different income levels.

Council Member Khambata stated so you guide it as 60% AMI through the grant funding and so on for the project, right? Mr. Barker replied no, it's the Federal program.

Council Member Khambata asked is it Section 42? Mr. Barker replied Section 42, yes. Council Member Khambata asked so who is the accountability partner there to make sure that you're making that 60% AMI? And that's based off HUD's number that they put out every year? Mr. Barker replied yes, and it'll be the Washington County CDA that we have to report to every year.

Council Member Garza asked do you guys manage the in house 60% AMI; so, for some of these income requirements, are you guys doing all that inhouse management? When they're coming in to apply for renting units, you guys do all of the vetting for that?

Mr. Barker replied we do, we have our own compliance team that does all our screening for income, criminal, credit, all that. So, residents can't make more than those amounts, but then they also have to be able to afford the rent as well. So, the income limits I showed were the maximums, but there are also minimums, because they have to be able to afford the rent. The AMIs have increased over the years, so, it is \$1,300 for a one bedroom, and it's getting up there, and it's up to \$1,800 for a three bedroom.

Mayor Bailey stated it's hard to tell in the pictures, but if you look at some of the divides of the materials that you have there, maybe I'll take a ride over to Eagan or something to check your project. I've done that before with some of these other developers to see how their buildings look in other communities, too. Personally speaking, I don't see it as an issue. The only other thing for staff, again, is as it was brought up about traffic and such, again just prepping you what's the plan, the fact that we are going to take density away because we're going to convert part of the Dunes to a park.

The other thing for me is also maybe show where our future Jack and Marlys Denzer Park is going to be in relation to this; so, when you show us the map, because you're talking about things for citizens to do, and it looks like you're going to be kind of gearing it more towards maybe families with kids, which is not necessarily what we have seen. I

guess in the older versions of our affordable housing, but most of the new ones, for us at least, have been predominantly senior driven, single or double. The only other comment I'll ask is will the kids that would be in this development go to Pine Hill or Pullman?

Director Schmitz replied I think it's Armstrong. The last conversation I had with the School District, they were trying to shuffle because of Mississippi Landing; it's odd, it sounds funny, but that's what their thought is now, whether that's how things remain.

Mayor Bailey stated again, I'm just preparing you just because I'm trying to pull all the things that have come up in other developments in that area. Where are all these kids going to go? There is a very empty school; I know Armstrong is very empty.

Director Schmitz stated Pullman had some shifting done.

Mayor Bailey agreed that Pullman does. And I know the Dunes is going to Pullman, isn't it? Director Schmitz replied yes.

Council Member Khambata stated just for my 20%, if this were to proceed, I'd like to at least have some sort of like future forecast for what the financial ask might be. Because as we're getting our HRA set up and as we start kind of bringing that pot of money into existence, it'd be nice to kind of know what it's being earmarked for; and when that ask comes, how much we can afford to contribute, so that no one's surprised on either side of that. I also know everyone in that townhome development off of 98th is going to protest, everyone in the Capstone Properties is going to protest because it's affordable housing, because of the density. For 164 affordable housing units, I'm willing to take that heat for my 20%.

Council Member Olsen stated I think we need to keep pushing forward and get some more information and see what transpires, but at least for me, that visual on there, the whole area, is important. I agree with the mayor, where's the closest green space, park space, going to be, and what is the connectivity going to look like for families to be able to take advantage of that, etc. When do you expect to hear back on the stormwater pond?

Director Schmitz stated we're kind of just trying to float it by adding a couple extra lots, depending on the stormwater utilities and the issues that are connected to that.

Council Member Thiede asked would that stormwater come out of that cul-de-sac that they have in there now, or? Administrator Levitt replied that is correct, yes.

Council Member Thiede stated in general, I'm okay. The only concern, like I mentioned, is I would like to look at the visual, it would be nice to have. It doesn't have to be extremely good looking, but just to kind of have a feeling for what's laid out with that master plan. And if Parcel 3 becomes another four-story housing unit or what it is, we can kind of make suggestions, based on what we'd like to see in the visual coming in and out of that area, of what we'd like to see in that piece. Maybe it's lower-level units or not tall, etc. And maybe just kind of a little bit of how it might look in Parcel 4 there, too, with Capstone; if they've done anything at all, kind of what they thought that their plan looked like. So, some of the visual planning. And I would still like to know how far away that building is from the road. Obviously, as I look at it here, it looks really close, but we don't have all of that detail, size wise.

Council Member Olsen stated when you guys do the schematic for the entire area, just some of the ingress-egress, what that might look like would be helpful.

Council Member Garza stated I just think, it goes back to what I mentioned before, and I know there's accountability, but I with just this many more that we'll be developing, especially if we're getting our workforce family, the impact on our retail and retail shopping. I know that there are coffeeshops in our neighborhoods, and I wait quite a bit for my coffee, and so we're putting this many more people in town. People don't want to wait 20-or-30 minutes for a coffee so you can go to work because we have so many more people in our community. So, it's just a thing that makes me think that maybe we need to have some more coffeeshops, so that would be a good thing.

Mayor Bailey stated I think what I'm hearing from the Council and I hope you did, too, is that we're very interested. One thing I'll just share, and I can say it with the Council's perspective, too, is Cottage Grove actually over the last I don't know how many months has been held up, in a positive way, about affordability and attracting and working with affordable housing options within the community. Some things were happening up at the capitol, which you may have heard about, were the Missing Middle piece part of that; they were using Cottage Grove as the benefit, meaning we're doing it the right way where other communities were not. My comment to them was look, don't penalize us for other cities' transgressions. So, I think that's all done, which is good, but we've been getting a lot of positive accolades up at the capitol for the work that we do to work with developers on bringing affordability into our community. So, I had to just share that for the Council's knowledge.

Mayor Bailey thanked Mr. Barker again for coming to share with us your concept; we're looking forward to what you can do in the future. Mr. Barker stated, awesome, thank you all.

3. ADJOURNMENT

The special meeting was adjourned at 6:38 p.m.

Minutes prepared by Judy Graf and reviewed by Tamara Anderson, City Clerk.