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