



COTTAGE GROVE CITY COUNCIL

12800 RAVINE PARKWAY SOUTH COTTAGE GROVE, MINNESOTA 55016

January 18, 2023

SPECIAL MEETING - 4:30 P.M. (Social Meet-and-Greet)

5:00 P.M. (Meeting)

TRAINING ROOM

1 CALL TO ORDER

2 ROLL CALL

3 AGENDA ITEM

03.A 2023 Legislative Agenda

4 ADJOURNMENT



2023 LEGISLATIVE AGENDA

Legislative Priorities: Local Option Sales Tax

Priority: Local Option Sales Tax

Legislative Direction

Cottage Grove supports utilizing a local option sales tax as a means of funding long-term regional park installation and improvement projects.

Relevant Information

- In order to pursue a local option sales tax, the city must adopt a resolution proposing the tax, submit resolution to state tax committees, get legislative authorization, adopt a resolution accepting the new law, hold a referendum, and pass an ordinance imposing the tax.
- Minnesota Statute § 297A.99 specifies that the above process requires “regional significance” of any project(s) funded by a proposed local sales tax.
- Funding is primarily for capital costs and projects that need to be specifically identified.
- In Cottage Grove, long-term funding for new parks and park improvement projects is a challenge using just Park Dedication Fees and cell phone tower leasing revenues.
- Minnesota Legislature requires a detailed description of up to five capital projects. Staff has compiled a list of planned projects that would meet the stated criteria. These are the three proposed projects that best fulfill the criteria as regionally significant:
 1. Mississippi Dunes Park (development)
 2. Hamlet Park (improvements and development)
 3. River Oaks Golf Course (improvements)



Legislative Priorities: Local Option Sales Tax

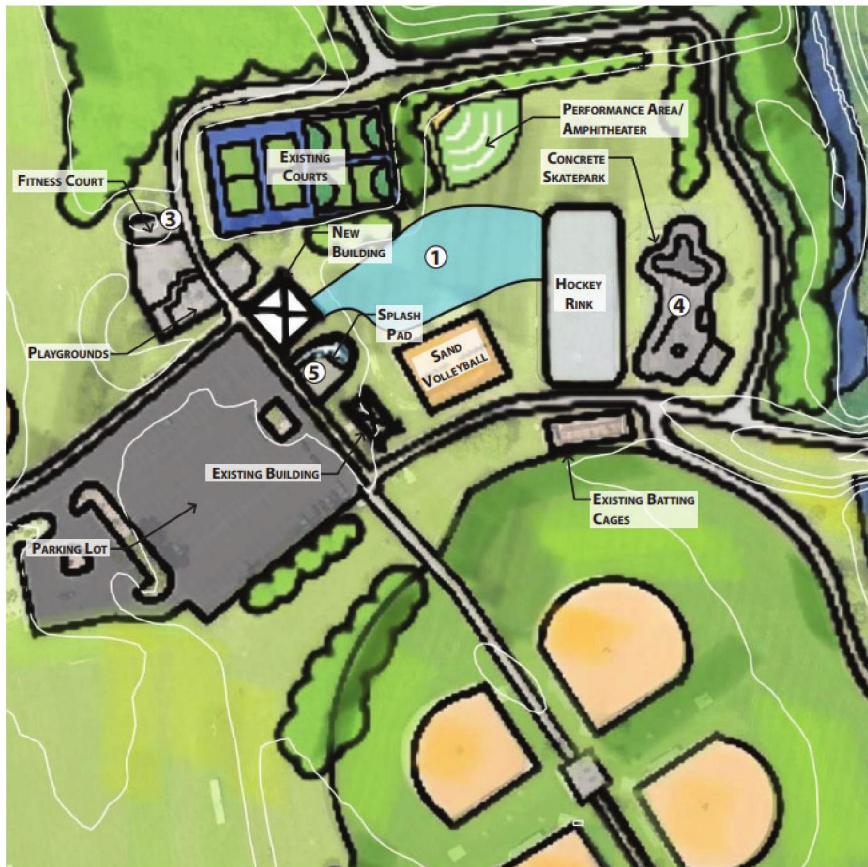
Hamlet Park Improvements

Priority

Obtain \$17 million in funding through a local option sales tax for improvements to Cottage Grove's oldest and largest municipal park.

Legislative Direction

The city supports the implementation of a local option sales tax used for long-term improvements to Hamlet Park. These will enhance what continues to be a regionally significant park.



Relevant Information

- The planned improvements consist of the installation of a synthetic turf field and additional fields, upgrades to many of the core park amenities, improvements to the north trail entrance, a new splash pad, and a new park building.
- Hamlet Park's 150 acres of park, fields, trails, and open space already make it one of the city's major regional draws. The proposed updates would broaden regional interest and continue to make Hamlet a desired location for baseball, softball, and other tournaments.
- An updated park building, amphitheater, skating rink, and skate park would be high selling points for families and groups looking to host get-togethers and tournaments in a family-friendly city.



Parks & Recreation Contact:
Zac Dockter, Parks & Recreation Director
zdockter@cottagegrovemn.gov 651.458.2808

Legislative Priorities: Local Option Sales Tax

River Oaks Golf Course Improvements

Priority

Secure \$6 million in local option sales tax funding for improvements to River Oaks Golf Course & Event Center.

Legislative Direction

Cottage Grove supports the use of a local option sales tax to make improvements to the River Oaks Golf Course. These enhancements would increase the facility's appeal to a broader audience while also diversifying business opportunities.



Relevant Information

- In 2022 alone, the golf course attracted thousands of guests who played over 40,500 rounds of golf.
- To keep up with growing demand for improved facilities and features, the proposed project would draw more golfers for putting on a Himalayan green and practicing on an advanced golf simulator.
- Funding would also be used for major improvements to the outdoor patio and connecting the event center to the pro shop for a more inclusive environment.
- The proposed improvements would serve as an easy way to remind regional golfers that River Oaks Golf Course is one of the premiere options for golfing and entertainment in the metro.



Legislative Priorities: Local Option Sales Tax

Mississippi Dunes Park

Priority

Secure \$13 million to improve public recreational access and habitat preservation along the Mississippi River.

Legislative Direction

Cottage Grove supports acquiring funding support to be used for land acquisition, land/water recreational use development and habitat preservation and restoration. This work not only improves access to the Cottage Grove region, but it also compliments the habitat preservation efforts at the state's Grey Cloud Dunes Scientific and Natural Area. Funding support may be in the form of grant programs, bonding programs or other.



Relevant Information

- The city has been planning for such land use at the former Mississippi Dunes Golf Course, which includes nearly 2,000 linear feet of Mississippi River shoreline.
- The city is currently planning for an approximate 40-acre public park situated on the shoreline of this property. Acquisition, construction and habitat preservation/restoration costs are projected at more



than \$10 million. Cottage Grove will need state and regional funding support to fulfill the master plan.

- The park would include a year-round building, a nature-based playground, open lawn area, a trail system, and space for boat and kayak docking and launching.



Parks & Recreation Contact:
Zac Dockter, Parks & Recreation Director

Legislative Priorities

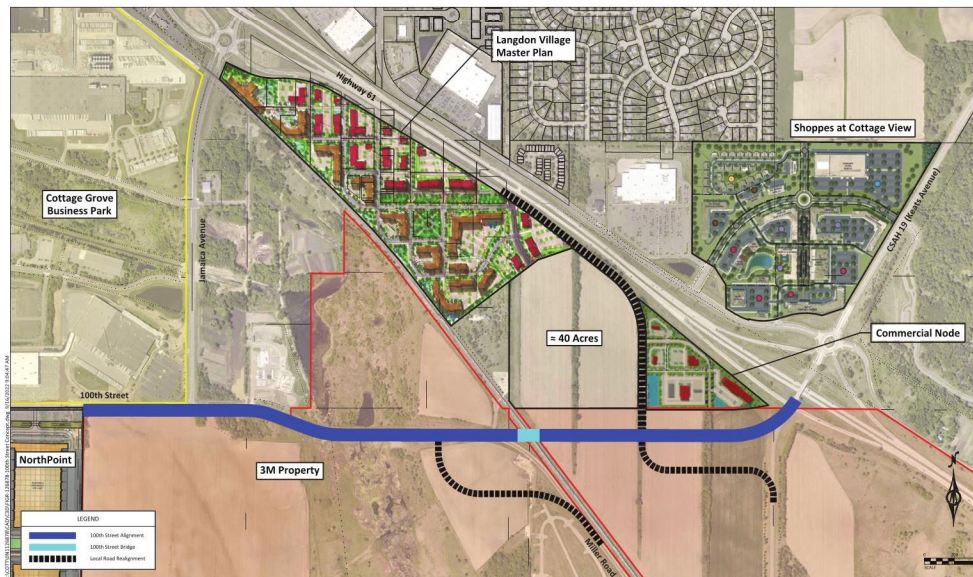
Priority: County 19A & 100th Street Realignment

Legislative Direction

Cottage Grove fully supports any efforts to fund the future 100th Street arterial roadway. The city requests \$25 million for design, right-of-way acquisition and construction of the arterial roadway and adjacent roadways.

Relevant Information

- We anticipate spending approximately \$2.5 million on design, \$8.4 million for the grade-separated bridge railroad crossing, and \$14.1 million for the arterial roadway construction and realignment.
- In 2019, Washington County began the Southwest Arterial Study to address the lack of arterial roadways critical to serve new development in the county's southwest area.
- The study provided a recommended route for the future arterial roadway and reviewed the impacts and benefits.
- Since completion of the study, there has been significant interest in the Cottage Grove Business Park including NorthPoint Development, which will include 3.4 million square feet of warehouse, manufacturing, distribution and office space on 252 acres. The development will create at least 1,870 full-time jobs.
- The Cottage Grove Business Park is currently only served by one feasible interchange: Highway 61 at Jamaica Avenue, which is fully built out with a two-lane, six-leg roundabout that receives a significant amount of traffic.
- Additional funding is needed to construct a direct extension of 100th Street to Highway 61. The project would also include construction of a bridge over the Canadian Pacific railroad track. High-level cost estimates for this project are in the range of \$20 million to complete.
- Completing this extension in the next five years will be critical to the ongoing success of these major development projects and relieving stress along the Jamaica Avenue interchange.



Agenda Items

Housing and Economic Development

Cottage Grove continues to experience residential, commercial and industrial growth, creating a need for legislative action regarding:

- Business expansion
- Job growth
- Redevelopment
- Housing

Transportation

Due to rapid yet measured growth, Cottage Grove is focusing on the following areas:

- Red Rock Corridor
- Lights on Highway 61
- Shoppes at Cottage View
- Street improvement districts
- Municipal state aid funding

Public Safety

Cottage Grove Public Safety remains committed to protecting the city and its citizens by focusing on:

- Mental health data sharing with law enforcement
- Mental Health Response Act
- Officer wellness
- Law enforcement training funding
- Funding for mutual aid reimbursement
- K-12 threat assessments
- Permit to purchase fees
- Catalytic converter theft legislation



Agenda Items

Parks and Recreation

Cottage Grove has the vision of giving its residents the best recreational opportunities in the state by focusing on:

- Mississippi Dunes Park
- Future Regional Park Trailway Connection along Highway 61
- Other park improvements



Revenue and Taxation

Cottage Grove is committed to maximizing citizen engagement in the budgeting process, as well as maintaining transparency and responsible stewardship of our citizens' tax dollars by focusing on:

- Truth-in-taxation process
- Restrictions on local government budgets
- Sales tax on local government purchases
- Special assessments
- Market Value Exclusion
- Market Value Exclusion for Veterans with a Disability

Water Quality and Sustainability

Cottage Grove remains committed to delivering water that meets state guidelines and producing a long-term plan to enhance resource sustainability while meeting community needs by focusing on:

- Impaired water
- Stormwater and wastewater
- Water conservation
- Groundwater and well monitoring

Administration

Cottage Grove is committed to excellence in the delivery of public services to community residents, businesses and property owners. The city operates with transparency and cost-efficient communication while ensuring businesses operate safely and to the highest standards.

Economic Development

Historic tax credit

Priority

Extend the historic tax credit legislation.

Legislative Direction

Cottage Grove supports extension of the Minnesota State Historic Structure Rehabilitation Tax Credit as a successful economic development tool for revitalizing distressed, vacant, and underutilized historic properties throughout the state and potentially in Cottage Grove. The city supports maintaining the federal tax credit for preservation of historic properties.

Relevant Information

- The Minnesota State Historic Structure Rehabilitation Tax Credit sunset in May 2022. The City of Cottage Grove has many historic properties in the community that would benefit from this tax credit.



Job Growth

Priority

Cottage Grove supports economic tools that facilitate job growth without relying solely on the property tax base. The city supports study of allowing mixed-use buildings that have commercial and residential uses to be included in a special service district (SSD).

Legislative Direction

Cottage Grove supports a number of existing programs offered by the state, and furthermore, supports the study of allowing mixed-use buildings, that have both commercial and residential uses, included in an SSD.

Relevant Information

Examples of valuable state programs include green job development and related innovation and development. Other examples are minority business start-ups, small business financing tools including new markets tax credit program mirroring a federal initiative, and maintaining existing municipal authority to establish an SSD.



Economic Development Contact:
Jennifer Levitt, City Administrator

Community Development

Business Expansion

Priority

Support new and expanding businesses, infrastructure development and public-private partnerships.



Legislative Direction

Cottage Grove supports existing programs to help businesses thrive and expand.

Relevant Information

- Examples of state-funded programs include the Minnesota Investment Fund (MIF), Job Creation Fund (JCF) and the Angel Tax Credit.
- Programs using statewide funding should award funds equitably between the metro region and greater Minnesota through competitive funding as opposed to direct legislative appropriations.

Redevelopment

Priority

Begin implementation of redevelopment plans to reinvigorate a tax base that is not fulfilling its potential.

Legislative Direction

Cottage Grove supports the growth of current programs that help facilitate redevelopment and reinvestment in our residential, commercial and industrial sectors.

Relevant Information

The city supports:

- The allowance of a maximum levy amount for the Livable Communities Act and increased general fund and state bond funds for DEED-administered programming.
- Financing, regulatory tools and increasing flexibility in the use of Tax Increment Financing (TIF) for Transit-Oriented Development (TOD) and values funding for Transit Improvement Areas (TIAs).
- Programs to correct unstable soils and allow cities to redevelop land previously used as landfills.
- Initiatives helping cities/development authorities assemble small properties and ready them for business expansion and future development.
- The city opposes any statutory language that would further constrain or reduce the effectiveness of TIF.
- The city asks lawmakers to revisit eminent domain laws to allow local governments to address redevelopment issues before conditions become financially impossible to address.



Community Development

Housing

Priority

Diversify the city's housing stock to ensure it is serving all demographic and socio-economic communities.

Legislative Direction

Cottage Grove supports state programs that allow municipalities to facilitate full-spectrum housing growth and rehabilitate older housing stock for residents in all stages of life.

Relevant Information

The city supports:

- The location of affordable housing in residential and mixed-use neighborhoods throughout the city. The City does not support passage of a mandatory inclusionary housing state law imposed on local governments that would require a certain percentage of units in all new housing developments to be affordable to households at specific income levels.
- The Metropolitan Council's affordability policy and allocation, as long as it recognizes the individual needs of each city and the need for significant financial assistance from the federal and state government, as well as the Metropolitan Council, to make progress toward creating additional affordable housing and preserving existing affordable housing.
- The Metropolitan Council, with input by local government representatives, examining the allocation of need methodology with respect to the relationship between the regional allocation and the local share of the need. The formula should also be routinely evaluated to determine if market conditions have changed or if underlying conditions should prompt readjustment
- Housing programs that assist housing development, preservation and maintenance of existing housing stock, including unsubsidized, naturally occurring affordable housing that is affordable to residents throughout the low-to-moderate income range.
- Preserving and increasing funding for the Community Development Block Grant Program (CDBG) and the federal HOME program that are catalysts for creating and preserving affordable housing.
- Removing the Metropolitan Council's review and comment authority connected to housing revenue bonds. The City would like to see the Metropolitan Council work in partnership with local governments to ensure the range of housing needs for people at various life cycles and incomes can be met.



Community Development Contact:
Jennifer Levitt, City Administrator

Transportation

Red Rock Corridor

Priority

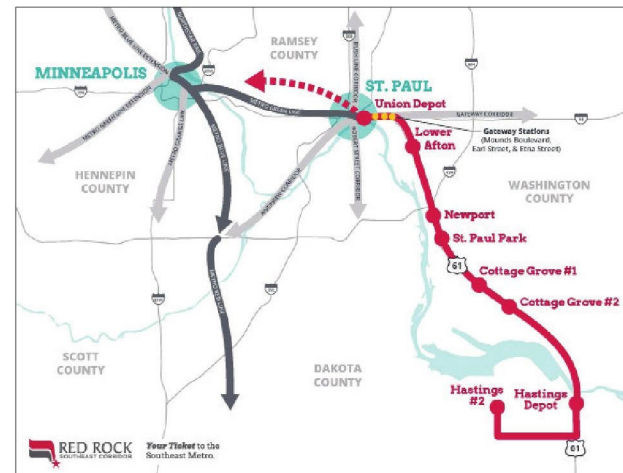
Give businesses the ability to attract talent from the surrounding community through transportation into the City of Cottage Grove.

Legislative Direction

Cottage Grove supports implementation of the Red Rock Corridor Bus Rapid Transit.

Relevant Information

- The Metropolitan Council projects the southeast metro will grow by at least 100,000 people over the next 20 years while 94% of the jobs will stay in Minneapolis and St. Paul.
- Cottage Grove businesses have indicated in multiple Business Retention and Expansion interviews that they are having a harder time attracting talent without a reliable transportation network into the city.
- The Red Rock Corridor is a 20-mile stretch serving the southeast Metro, which is part of the National Highway and National Scenic Byway systems.
- Communities along the corridor have conducted a thorough investigation of transit needs and produced a phased approach with a near-term need for new local bus service and a long-term plan for bus rapid transit (including high-frequency service, robust stations, and enhanced parking facilities).



Lights on Highway 61

Priority

Acquire \$4 million for funding corridor lighting along Highway 61 from the interchange with Washington County State Aid Highway 22 to the intersection with Trunk Highway 95.

Legislative Direction

Cottage Grove fully supports any efforts to fund highway lighting and increased safety on an increasingly busy stretch of highway serving one of the fastest growing areas of the state.

Relevant Information

- The only interchange lighting that exists is at 80th Street South, Jamaica Avenue South and County State-Aid Highway 19 (Innovation Road South).
- There is no lighting from County State-Aid Highway 19 to Township Highway 95 and there are several unrestricted local access intersections present.



Transportation

Street Improvement Districts

Priority

Address the limited funding mechanisms for maintaining aging streets.

Legislative Direction

1. Cottage Grove supports the authority of local units of government to establish street improvement districts, allowing cities in developed and developing areas to fund reconstruction and maintenance efforts.
2. Cottage Grove also supports changes to special assessment laws to make assessing state-owned property a more predictable process regarding the payment of assessments.



Relevant Information

- Funding sources for local transportation projects are limited to the use of Municipal State Aid (MSA), property taxes and special assessments.
- The street improvement district is designed to allow cities to create a district(s) where fees will be raised on all properties in the district and must be spent within specific boundaries.
- The city supports the modification of state laws to clarify the definition of “benefits received” as it relates to special assessments.

Municipal State Aid Funding

Priority

Cottage Grove, like many growing communities, struggles to fund major roadway projects, creating costly delays and decreased motorist safety.

Legislative Direction

Cottage Grove requests the Municipal State Aid (MSA) formula and funding levels be reviewed as the current system is not sufficient to keep up with growing demands for maintenance, coupled with expanding MSA roadway systems in growing communities.

Relevant Information

- MSA offers an advance to fund larger projects that creates delays for future MSA projects for several years. Thus, rehabilitation projects (like mill and overlay) cannot occur, reducing the useful life of a road and accelerating the cost of reconstruction projects.
 - The city anticipates reduced funding due to the pandemic, which will further challenge the city’s ability to maintain our aging infrastructure.



Transportation Contact:
Ryan Burfeind, P.E., Public Works Director/City Engineer

Transportation

Shoppes at Cottage View Infrastructure

Priority

Secure funding for Shoppes at Cottage View infrastructure. The city requests \$5 million to support the design and construction of this collector roadway and adjacent roadways.

Legislative Direction

Cottage Grove supports any efforts to fund the construction of public infrastructure to serve the Shoppes at Cottage View development.



Relevant Information

- The Shoppes at Cottage View is a 73-acre site located in the northwest corner of East Point Douglas Road and Keats Avenue (County Road 19) in Cottage Grove. The city envisions the project area as a gateway into the community from westbound Highway 61/10. The project will provide Cottage Grove many opportunities such as an improvement in the quality of life of residents by creating jobs, increasing the local tax base, providing a safe, efficient, and interconnected network of local and collector streets, providing pedestrian connections to regional and local recreational amenities, public utility extensions, as well as housing opportunities for individuals at all income levels.
- The Shoppes at Cottage View site has been vacant since the early 2000s and developing the site will bring many public benefits. The city has produced several planning documents for this area of the city. One of the major features to emerge from the planning process was Ravine Parkway, which provides a connecting link for the entire East Ravine community. A portion of Ravine Parkway would be constructed with this project and would provide direct and efficient access for the community to this commercial area.
- Public utilities would be extended throughout the site to serve the adjacent properties with city water and sanitary sewer service. The site is also adjacent to Washington County's Cottage Grove Ravine Regional Park and the project provides pedestrian and bicycle access improvements across County Road 19 to the regional park.
- The development of the Shoppes of Cottage View will place the 73-acre site back into productivity by being on the city's tax rolls, as well as providing opportunities for employment, housing, and recreation, thus strengthening the local economy, and providing the residents and visitors of Cottage Grove a quality of life where they can live, work and play.



Public Safety

Fire Mutual Aid Issue

Priority

Develop a mutual aid agreement for when city and township fire departments assist each other.

Legislative Direction

Cottage Grove supports developing a mutual aid agreement that would reflect Minnesota Statute § 12.331, which provides a framework for how worker's compensation, liability, property claims, insurance, and charges between fire departments will be handled in mutual aid situations.

Relevant Information

- Following the Red River floods and the St. Peter tornados, emergency responders helped pass Minnesota Statute § 12.331.
- Many cities have entered into similar area-wide mutual aid agreements. To provide uniformity, the Legislature should pass a statute that includes definitions and clarifications for:
 - a) Who commands in a mutual aid scene.
 - b) Who will cover the firefighters for worker's compensation.
 - c) How liability and property claims will be handled.
 - d) Who will pay for expendable supplies such as foam.
 - e) When fire departments will charge each other for these services.
 - f) The ability for fire departments to opt out by having a separate written agreement.



Mental Health Response Act

Priority

Fund multi-jurisdictional co-responder programs.

Legislative Direction

Cottage Grove supports legislation to fund multi-jurisdictional co-responder programs or embedded social workers. Additionally, Cottage Grove supports making changes to current policy and practices to better share information amongst first responders, medical professionals and human services representatives.

Relevant Information

- The goal is to improve the response to, and outcomes of, mental health calls for service.



Public Safety Contact:
Pete Koerner, Public Safety Director/Police Chief

Public Safety

Officer Wellness

Priority

Understand and deal with the effects of common stressors facing our law enforcement professionals.

Legislative Direction

Cottage Grove supports legislation that would provide law enforcement agencies with training for emotional resiliency and understanding of responder trauma. Additionally, Cottage Grove supports a requirement for public employers to provide treatment for those diagnosed with PTSD and ensure the person remains financially whole while receiving 32 weeks of treatment.

Relevant Information

- This would create support groups, mental health checks and therapy, suicide prevention, awareness and family support.

Law Enforcement Training Funding

Priority

Continue to fund training mandated by the Minnesota Police Officer Standards and Training Board (MN POST Board).

Legislative Direction

Cottage Grove supports continuing the MN POST Board training reimbursement allocation to local agencies, which began in 2018.

Relevant Information

- The Peace Officer Training Fund is for mandated training in the areas of recognizing and valuing diversity and cultural differences, conflict management and mediation, crisis intervention and mental illness crises.



Public Safety

Funding For Mutual Aid Reimbursement

Priority

Support funding mutual aid reimbursement requests.

Legislative Direction

Cottage Grove supports funding to provide mutual aid reimbursements. As civil unrest becomes more common, larger agencies in the metro are reaching out to Anoka, Dakota and Washington counties. Providing assistance costs agencies additional money for training, staffing and equipment.



Relevant Information

- Currently approved reimbursement was used for federal Emergency Management Assistance Compact (EMAC), Minnesota DNR and Minnesota State Patrol. No funds were allocated for local jurisdictions requested for mutual aid.

K-12 Threat Assessments

Priority

Support mandated K-12 threat assessments teams.

Legislative Direction

Cottage Grove supports legislation requiring school districts to establish a team of trained subject matter experts to examine and address school safety issues based on the national best practice known as behavioral threat assessment.

Relevant Information

- This legislation would move our state beyond physical school safety measures, such as infrastructure improvement grants, passed by the Legislature in 2018.
- Threat assessment is an evidence-based way to identify, assess, and manage threatening situations away from violence.
- Threat assessment, properly done, is considered a standard-of-care/best practice by numerous organizations and advocacy groups including the U.S. Department of Education, National Association of School Psychologists, and the Federal Bureau of Investigation.
- K-12 threat assessment teams and legislation have been officially supported by the MN Chiefs of Police Association and the MN Sheriff's Association.



Public Safety Contact:
Pete Koerner, Public Safety Director/Police Chief

Public Safety

Permit to Purchase Fees

Priority

Allow agencies to charge a reasonable fee for processing a permit to purchase.

Legislative Direction

Cottage Grove supports allowing local municipal police departments to charge a reasonable fee for processing a permit to purchase an application.

Relevant Information

- Currently Minnesota Statute § 624.7131 Subd 3. states there shall be no charge for forms, reports, investigations, notifications, waivers or any other act performed, or materials provided by a government employee or agency in connection with application for or issuance of a transferee permit. The permits and their renewal shall be granted free of charge.



Ambulance Service Costs and Liability

Priority

Require Medicare to set ambulance payment rates to cover the cost of providing services.

Legislative Direction

Cottage Grove supports federal legislation that would require Medicare to set ambulance payment rates to cover the cost of providing service for transport and non-transport care of patients, require adequate reimbursement for ambulance

providers, require Medicare to reimburse 911 ambulance transports regardless of medical necessity, and make it easier for providers to file claims by eliminating Medicare's processing system.

Relevant Information

- The cost of providing ambulance care has increased steadily over recent years due in part to changes in Medicare and Medicaid reimbursement. The federal Balanced Budget Act of 1997 made two significant changes to ambulance billing. First, the act mandated that ambulance services cannot bill the Medicare or Medicaid patient for any unpaid balance beyond the Medicare or Medicaid assignment. Second, the act mandated a uniform fee schedule that was implemented in 2002; the new fee schedule significantly reduced reimbursement levels for many ambulance services.
- In most cases, Medicare does not pay for costs related to treatment of patients that are not transported. The loss of revenue due to reimbursement changes is affecting the ability of many ambulance service providers to deliver emergency care, particularly in rural Minnesota. All ambulance services and personnel must comply with the same licensing, training, and equipment-related requirements, regardless of ownership.



Parks and Recreation

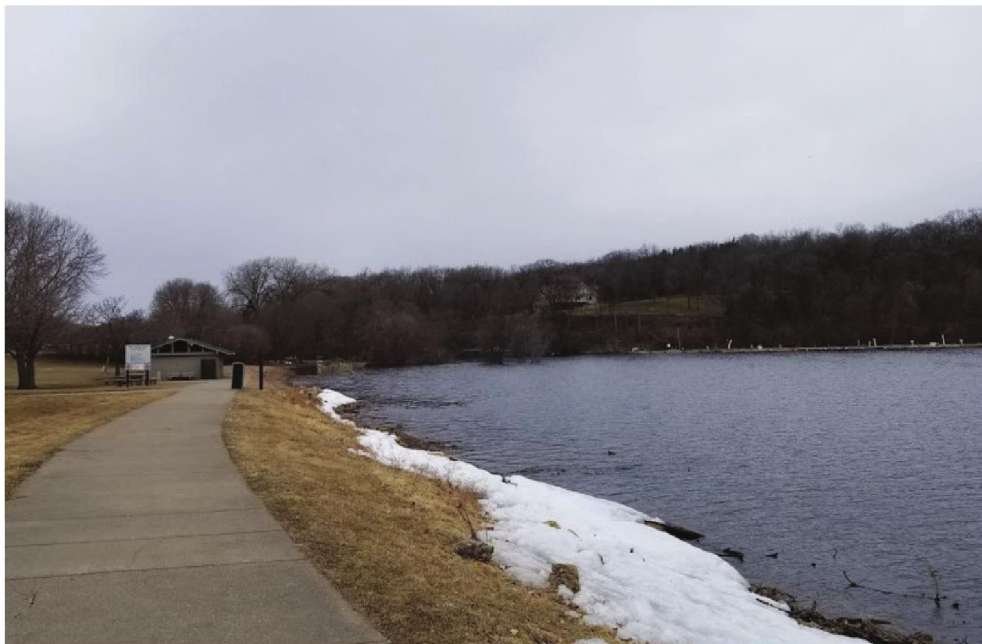
Future State/County Recreational Trail Connection

Priority

Secure funding for a trail connecting Cottage Grove Ravine Regional Park to Point Douglas Regional Park.

Legislative Direction

Cottage Grove supports the planning, design, and future funding of a Highway 61 Trailway connection between Cottage Grove Ravine Regional Park and Point Douglas Regional Trail/Park.



Relevant Information

- A trail along Highway 61 from Cottage Grove Ravine Regional Park to Point Douglas Regional Trail/Park would be a unique recreational experience for the region, state and outstate visitors. Highway 61 is both historic and scenic but has no recreational trail access. The trailway would connect Cottage Grove's Ravine Lake to the confluence of the Mississippi and St Croix rivers as well as historic Hastings downtown via the Highway 61 arch bridge trail.



Parks & Recreation Contact:
Zac Dockter, Parks & Recreation Director

Revenue and Taxation

Truth-in-Taxation Process

Priority

Evaluate the effectiveness of the summary budget information requirement.

Legislative Direction

The summary budget information requirement enacted under the 2021 omnibus tax bill should be evaluated for effectiveness and value to taxpayers. The requirement should be converted to a suggested option and cities should be able to substitute their established local process and format to explain their proposed budget to taxpayers.

Relevant Information

- The requirement to include summary budget information has been a significant and complicated internal process without a noticeable value to taxpayers.



Restrictions on Local Government Budgets

Priority

Maintain city autonomy in deciding the appropriate level of local taxation and services.

Legislative Direction

Cottage Grove strongly opposes levy limits, reverse referenda, super majority requirements for levy, and valuation freezes, or other restrictions on local government budgeting and taxing processes.

Relevant Information

These types of restrictions undermine local budgeting and taxing processes, planned growth and the relationship between locally elected officials and their residents.



Revenue and Taxation

Sales Tax on Local Government Purchases

Priority

Secure sales tax exemption for purchases of goods and services made by cities.

Legislative Direction

Cottage Grove supports the 2013 reinstatement of the sales tax exemption for purchases of goods and services made by cities, specifically granting an extension of the motor vehicle sales tax (MSVT) exemption to all municipal vehicles that are used for general city functions and are provided by governmental entities.

Relevant Information

- Currently, only certain vehicles, including road maintenance vehicles purchased by townships and municipal fire trucks and police vehicles not registered for use on public roads, are exempt.



Special Assessments

Priority

Clarification of “benefits received” regarding special assessments.

Legislative Direction

Cottage Grove supports modifications to state laws governing special assessments for construction projects or other improvements arising from legislative authority to clarify the definition of “benefits received.”

Relevant Information

- When property owners challenge special assessments based on application of the special benefit test, some courts have interpreted “benefits received” to mean the one-year increase in property value that is directly attributable to a construction project.
- There is currently no consistency between state laws and rulings by some courts on the term “benefits received.”
- The modified definition should more closely align with how special assessments are calculated and recognize that the benefit of the improvement to a property may be realized over time and not within one year.



Revenue and Taxation

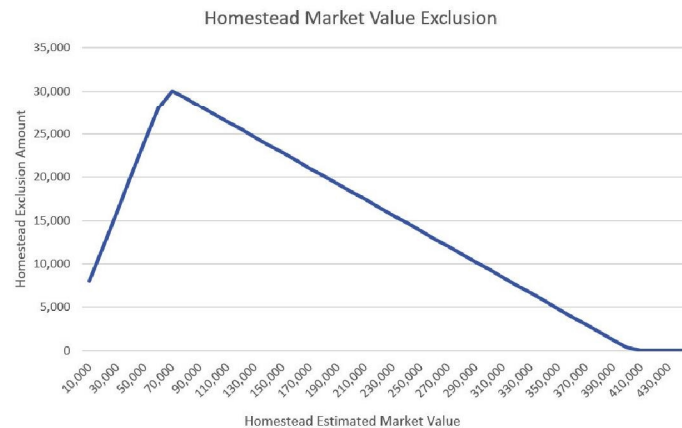
Homestead Market Value Exclusion

Priority

Increase the benefits of the homestead market value exclusion program and the similar veterans' program.

Legislative Direction

Due to the recent rapid increase in home values, the city supports modifications to the homestead market value exclusion program to increase the benefit of the exclusion to qualifying homeowners. Changes to the homestead market value exclusion should be considered in concert with the impact of the homestead credit refund program.



Relevant Information

In 2011, the legislature repealed the existing homestead market value credit program and replaced it with a new Homestead Market Value exclusion (Minnesota Statute § 273.13, subd. 35).

The State of Minnesota encourages home ownership by providing owner-occupied properties a reduction in their property taxes. The amount of the homestead exclusion varies depending on the market value of the property. The maximum value amount of the exclusion is \$30,400 for residential properties with a market value of \$76,000. As the property's market value increases above \$76,000, the amount of the exclusion decreases. As home values increase in excess of \$76,000 of market value, the exclusion phases out until it completely ceases for homes valued over \$413,800. The general parameters of the program have not changed since 2011.

Trends in residential home values have significantly reduced the value of the exclusion for many homeowners. According to the Minnesota Association of Realtors, in 2021 the median sales price was \$306,750, which received an exclusion of \$9,633, or just 3.1 percent of the total value of the home. During the 2022 legislative session, legislators considered proposals to increase the homestead market value exclusion. The House would have increased the exclusion to 40 percent of the value on the first \$80,300 of value and extended the full phase-out to homes valued up to \$437,100. The Senate would have increased the exclusion to 40 percent of the value on the first \$95,000 of value and extended the full phase-out to homes valued up to \$517,200.

In addition to increasing the benefit of the exclusion to qualifying homeowners, the market value exclusion for veterans should be increased. These exclusion for veterans have not changed since 2011 (Minn. Stat. § 273.13, subd. 34). The current exclusion is \$150,000 for a partial disability and \$300,000 for a full disability. During the 2022 legislative session, there were proposals to increase the exclusion to \$200,000 and \$400,000.



Revenue and Taxation

Street Reconstruction Bond Approval

Priority

Amend the laws governing issuance of bonds to maintain streets.

Legislative Direction

Cottage Grove supports amending the laws governing issuance of bonds to maintain streets to allow the approval of the bonds by a simple majority of the council. The existing reverse referendum process allows taxpayers to trigger a referendum on the bond issuance if they can meet a five percent petition threshold.



Relevant Information

- Under Minnesota law, financing the maintenance of streets can be a challenge for city councils. Minnesota Statute § 475.58, subd. 3b, authorizes a city council, by two-thirds vote, to approve the issuance of bonds to finance street reconstruction or bituminous overlays without voter approval. The two-thirds council approval requirement is further subject to a reverse referendum process whereby a number equal to five percent of those voting in the last municipal general election can petition for a referendum to approve the issuance of the bonds.

Local Option Sales Tax and City Revenue Diversification

Priority

Adopt a balanced revenue system to avoid the problems created by excessive reliance on any single tax.

Legislative Direction

Cottage Grove supports a statutory change to allow the City to enact a local sales tax for public improvements and capital replacement costs.

Relevant Information

- Under current state law, the property tax is the only generally accessible form of local tax revenue for cities. Allowing the city to diversify its revenue stream would help prevent rapid additional future reliance on the property tax.
- Each tax has unique strengths and weaknesses. The more intensively any single tax type is used, the more obvious its shortcomings become.
- A balanced and diversified revenue system may create a more favorable business climate and provide for greater stability of revenues throughout the course of the economic cycle.



Water Quality and Sustainability

Impaired Water

Priority

Support continued metropolitan development while protecting all water resources.

Legislative Direction

Cottage Grove supports continued funding to improve the region's ability to respond to developmental market demands including, but not exclusive to, surface water impairment assessments, Total Maximum Daily Load (TMDL) development and stormwater or wastewater construction grants.



Relevant Information

- Cottage Grove supports and values initiatives aimed at protecting water resources at the municipal, county, state and federal level, which includes the Clean Water Act.
- Cottage Grove opposes entity-specific exemptions from fees because every type of property is required to pay stormwater fees.



Groundwater and Well Monitoring

Priority

To support water quality and well monitoring efforts in accordance with the EPA Safe Drinking Water Act.

Legislative Direction

Cottage Grove strongly encourages continued funding of grant money through the Minnesota Department of Health (MDH) to assist communities in implementing their wellhead protection plans (specifically drilling additional sentinel wells to monitor aquifer levels and contamination plumes).

Relevant Information

- Cottage Grove supports additional funding for Perfluorochemicals (PFC) Biomonitoring in the area.
- The city supports working with the MDH on the continuous monitoring of city groundwater and wells for Perfluoroalkyl and Polyfluoroalkyl Substances (PFAS), having completed part one of our Wellhead Protection Plan in August 2015 and part two in March of 2017.



Water Quality and Sustainability

Water Conservation

Priority

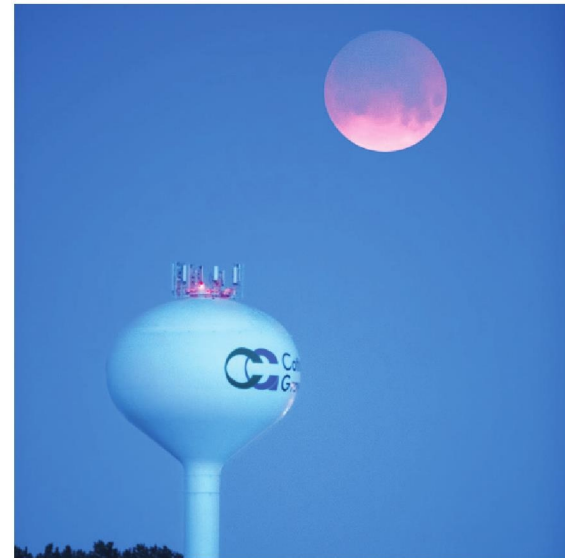
Contribute to a statewide effort to promote water conservation while providing municipal autonomy relative to individual communities.

Legislative Direction

Cottage Grove supports legislation promoting aquifer recharge, change in water use practices, development of minimum irrigation standards, applying technology for smart water use, additional scientific data collection and exploring water reuse options at contaminated sites that rely on water extraction or pollution containment.

Relevant Information

- A single “catch-all” option should not be applied to a region or sub-region.
- The city opposes funding of any implementation cost involved with the DNR North & East Metro Groundwater Management Area if it does not directly result in supplying water to the City of Cottage Grove and its residents.



Stormwater and Wastewater

Priority

Ensure attempts to address water supply sustainability take all water users (and variables) into account, including municipalities, industry, private wells, agriculture and contamination containment.

Legislative Direction

Cottage Grove supports the removal of barriers to wastewater and stormwater re-use and advocates for improved interagency coordination on all levels, including on the state level.

Relevant Information

Water regulation is complex and compartmentalized, requiring strategies to cross agency jurisdictions through improved coordination and cooperation.



Administration



Newspaper Notification Requirement

Priority

Replace the requirement of a local newspaper notification with electronic notices on the city website and other social media platforms.

Legislative Direction

Cottage Grove requests the state repeal the newspaper notification requirement due to the costs for municipalities, the decline of local newspapers and the increase and proliferation of technology information tools.

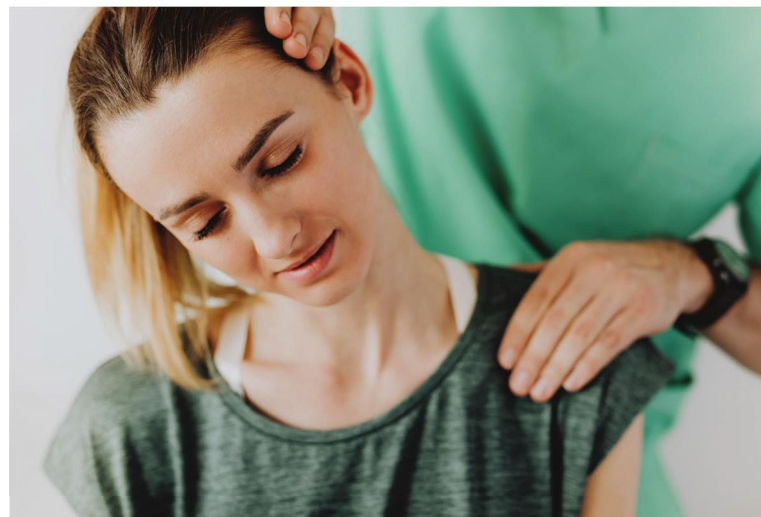
Licensure of Massage Therapists

Priority

Seek state to establish a state requirement for licensure of massage therapists.

Legislative Direction

Cottage Grove requests the implementation of a statewide licensing system for massage therapists, ensuring minimum competency requirements are met.





COTTAGE GROVE CITY COUNCIL

12800 RAVINE PARKWAY SOUTH COTTAGE GROVE, MINNESOTA 55016

SPECIAL MEETING - 6:00 P.M.

January 18, 2023

ST. CROIX ROOM

- 1 CALL TO ORDER
- 2 ROLL CALL
- 3 AGENDA ITEM
 - 03.A Rental Housing Development Project by MWF
- 4 ADJOURNMENT



City Council Action Request

Meeting Date	1/18/2023	
Department	Administration	
Agenda Category	Agenda Item	
Title	Workshop - Rental Housing Development Project by MWF	
Staff		
Recommendation		
Budget Implication	N/A	
Attachments	TIF Memo - Ehlers.tif	566.81KB
	Ehlers Overview Memo.tif	861.96KB
	TIF Run 1-5-23.tif	1.55MB
	Zywiec Property - Project Narrative.tif	1.49MB
	Zywiec Property - Site Plan.tif	553.58KB
	Zywiec Property - Example Elevations.tif	3.2MB
	Zywiec Property - Council Workshop.tif	3.27MB

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

FROM: Gretchen Larson, Economic Development Director

DATE: January 12, 2023

RE: Workshop – Rental Housing Development Project by MWF

Background

MWF is proposing to develop a 120-unit rental housing project on the north side of the Zywiec 40 property. The team at MWF will present their proposed development at the workshop which will provide rental units that are at 50 and 80 percent of the area median income (AMI). Housing at these income levels provides an opportunity for affordable workforce housing, which currently is very limited in Cottage Grove. Some of the units will also be at market rate.

Attached is the TIF analysis run by the City's financial advisors at Ehlers and provides a range for TIF assistance of \$1.35M to \$1.8M. The reason for the range is because it may be necessary to provide flexibility to MWF based upon the underwriting terms that they get from their bank. Because MWF is not applying for any housing grants, they may require additional assistance to get the project funded.

Also attached is the project overview from MWF and the proposed site plan.

Recommendation

Provide feedback on any preferred community direction for the proposed project by MWF and if TIF assistance is supported.

Attachments

TIF Memo – Ehlers
Power Point - MWF
Site Plan/Images

MEMORANDUM

TO: Gretchen Larson – Economic Development Director
FROM: Stacie Kvilvang and Schane Rudlang – Ehlers
DATE: January 10, 2023
SUBJECT: MWF Development - Analysis of Financial Request

The City of Cottage Grove received a public financial assistance request from MWF Properties (the “Developer”) to construct a 120-unit mixed-income workforce apartment project consisting of studio, 1-bedroom, 2-bedroom, and 3-bedroom units. The breakdown of the units and their respective proposed affordability relative to area median income (AMI) is in the table below.

Units	Unit Type	Gross SF	Income
24	Studio	600	50% AMI
33	1 BR	735	80% AMI
33	2 BR	1100	80% AMI
18	2 BR	1100	Market Rate
12	3 BR	1215	Market Rate
120			

The Developer requested TIF assistance over a 26-year term with a proposed construction start in 2023 and estimated cost of development at approximately \$31.4 million, or \$261,400 per unit. They intend to submit funding applications through Washington County’s GROW program (\$600,000) and Greater Minnesota Housing Fund’s deferred loan program (\$6,800,000).

Preliminary Proforma Analysis:

Ehlers conducted a preliminary review of the Developer’s proforma including the following: total development costs, per unit development costs, relative equity contribution to loan amounts (loan to value and cost), development fee, rent and fees charged to lessees, operating fees, management expenses, operating cost ratios, and investment returns (return on investment or ROI, Yield on Cost, and equity returns). Based this preliminary review, the requested 26 years of TIF assistance is more than what is necessary for this project to become financially feasible, based on the financial information we received at this stage of the project. We recommend TIF assistance in an amount between \$1,350,000 and \$1,800,000 (present value) over an anticipated term of 10 to 16 years. This provides a range that would be appropriate to bridge the gap between the affordable and market-rate rents and meet necessary debt parameters to finance the project. We have provided the range since the developer does not yet have their term sheet from the bank to determine Loan to Cost or Loan to Value parameters for financing as well as debt service coverage. If the City is amenable to providing assistance we will review the development proforma again taking into consideration the financing constraints to determine the appropriate amount of assistance. From there, final terms would be agreed upon in a Contract for Private Redevelopment between the Developer and the City/EDA and the process would begin to establish a housing TIF district.

Please contact Stacie Kvilvang or Schane Rudlang at 651-697-8500 with any questions.

1/9/2023

City of Cottage Grove
12800 Ravine Pwky South
Cottage Grove, MN 55016



RE: Workforce Rental Housing – Zywiec Property

Mayor Bailey and Council:

We are pleased to present for your review a concept proposal for a 120-unit rental housing project on the north side of the Zywiec property that will be tailored towards serving the expanding workforce in the City. After several discussions with City planning, engineering, and the landowner we have arrived at a preliminary site plan that we are presenting today for your review and comment. Below is a bit of additional information on our proposal.

Project Team:

Since 2001 MWF Properties has developed or consulted on the development of over 2,900 units of multifamily housing, with approximately 2,700 of those units being affordable or workforce housing. Having completed housing developments in 6 of the 7 counties throughout the metro area, including 4 projects within Washington County, we have a deep understanding of the market; and are committed to long-term ownership in the communities where we develop.

Property management services will be provided by Velair Property Management, our related-entity management company with a corporate staff that has a combined 40+ years of experience in the industry.

The proposed architect for the project is Kaas Wilson Architects, a local design group that specializes in multifamily housing.

Project Site:

As noted above, the proposed project would be located on the north side of the to-be-replatted Zywiec property. For the project to proceed there would be a PUD Application submitted for the City's review.

The site is located within a growing area of the community that will soon be home to one of the largest employment bases in the County with the development of the Cottage Grove Logistics Center. We believe these units will serve a vital role in providing quality housing options at a workforce-oriented price point to these additional employees, while also supporting the business community and their planned growth by providing a housing option that doesn't currently exist in the market.

Proposed Project:

- 120 units of workforce-oriented market rate housing
- Studio, one- two-, and three-bedroom units
- 20% of units affordable at 50% AMI

- 55% of units affordable at 80% AMI
- 25% of units at market rate rents
- One level of underground parking below three stories of residential
- Approximately 128 stalls of underground parking and 54 stalls of surface parking (total of 182 spaces, about 1.5 stalls/unit)
- Community amenities including a community room, fitness center, dog run, secure package room, walkable/bikeable connections to local amenities, indoor bike storage and fix-it station

Access to the project site would be provided off 100th Street South. Fire truck access and turnaround in this preliminary plan is provided via the surface parking lot. Adequate sizing of this turnaround will be confirmed by our civil engineer prior to a formal application being submitted.

As part of this proposal we plan on submitting a Tax Increment Financing application to the City for your review and consideration. The TIF funding will support the income restricted housing units, along with the reconstruction and improvement of 100th Street South.

Public Benefit:

We understand that as part of the PUD process the project will need to provide evidence of the public benefit offered by the proposal. A few of the benefits we believe this proposal provides include:

1. Meets a Local Housing Need

The Housing Chapter of the City's 2040 Comprehensive Plan establishes a goal to create an additional 221 housing units affordable to households earning between 31% and 50% of AMI. The proposed project would add 24 units to help the City work towards that goal. More generally, the Plan encourages 'a mix of residential housing options near pedestrian, bicycle routes...and employment to ensure that the benefits of public investment in those facilities are available to as many households as possible.' By adding a quality workforce rental housing option to a housing mix in this area that includes existing single family and townhome ownership opportunities the City will diversify the housing stock and allow for continued support for the employment growth anticipated in the community.

2. Reconstruction and Improvement of 100th Street South

As part of this development we will be improving 100th Street South to support the proposed project. These improvements will include adding trail and roadway improvements that will benefit the surrounding neighborhoods by providing efficient connections to local sidewalks, bike paths, and other community amenities.

We thank you for your consideration of our preliminary concept plan and look forward to discussing in more detail at the workshop on January 18th.

Sincerely,



MWF Properties, LLC

Matt Yetzer

Development Manager

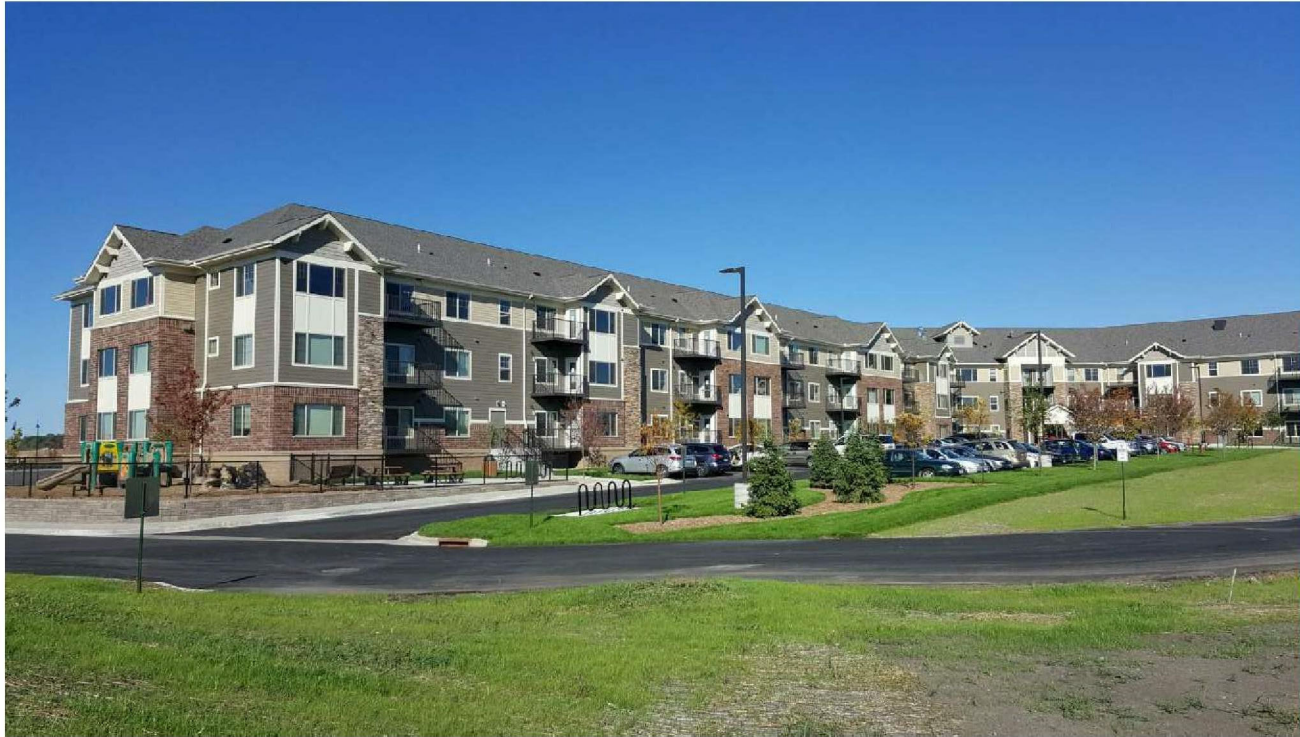
mattyetzer@mwfproperties.com

612.314.7652





RESIDE APARTMENTS - SAVAGE, MINNESOTA



CARVER CROSSINGS - CARVER, MINNESOTA

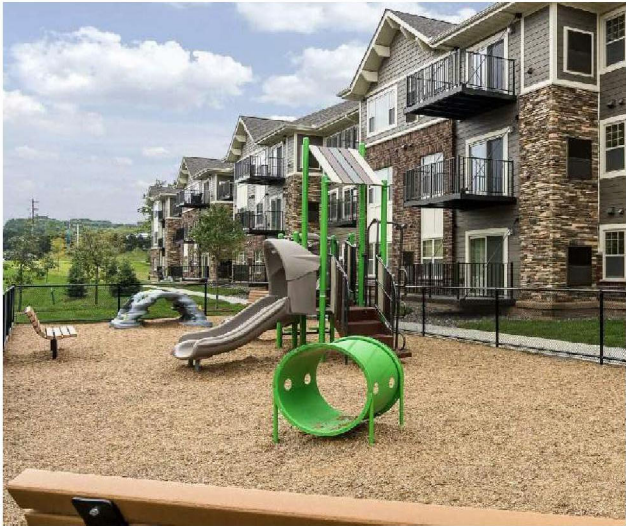


APPLE VILLA APARTMENTS - APPLE VALLEY, MINNESOTA





PIKE LAKE MARSH - PRIOR LAKE, MINNESOTA



Workforce Housing - Zywiec Property Council Workshop



Developer Experience

2

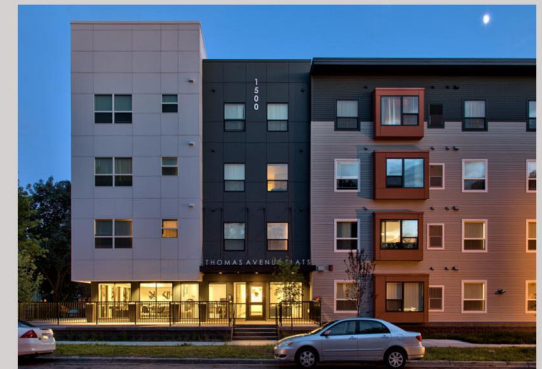
- Since 2000, MWF has developed or consulted on the development of affordable housing developments totaling 2,900 units across the Midwest
- Have in house management company, Velair Property Management which has over 30 years of combined experience in property management
- Focus on high quality construction that is built-to-last



Willow Ridge East
Vadnais Heights, MN



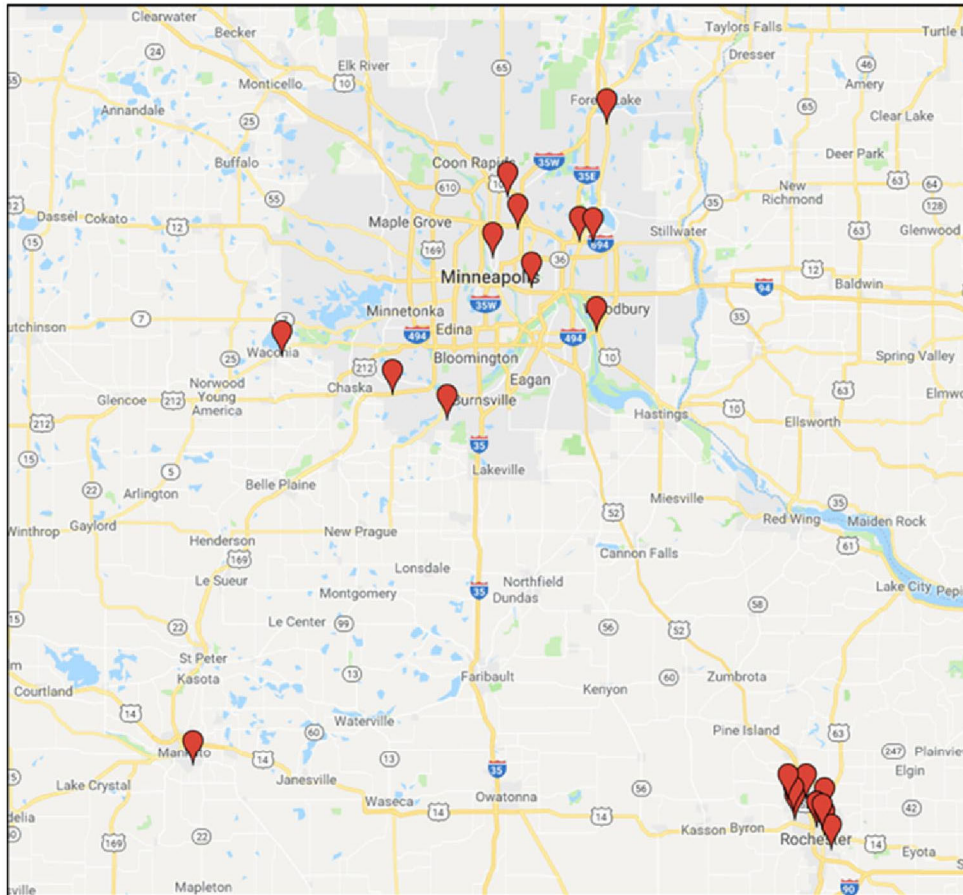
Red Rock Square
Newport, MN



Thomas Avenue Flats
St. Paul, MN

Developer Portfolio

3



Minnesota Portfolio

Repeat Business

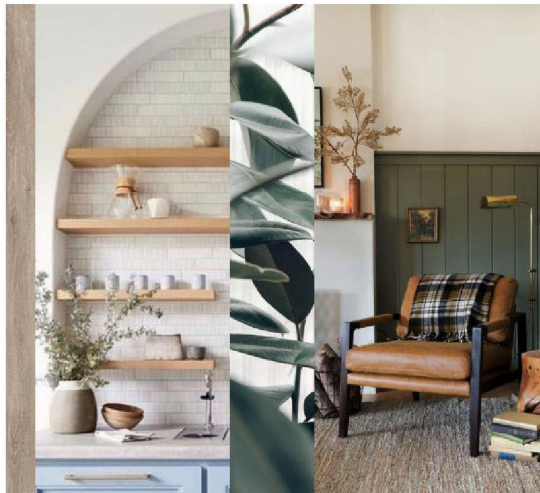
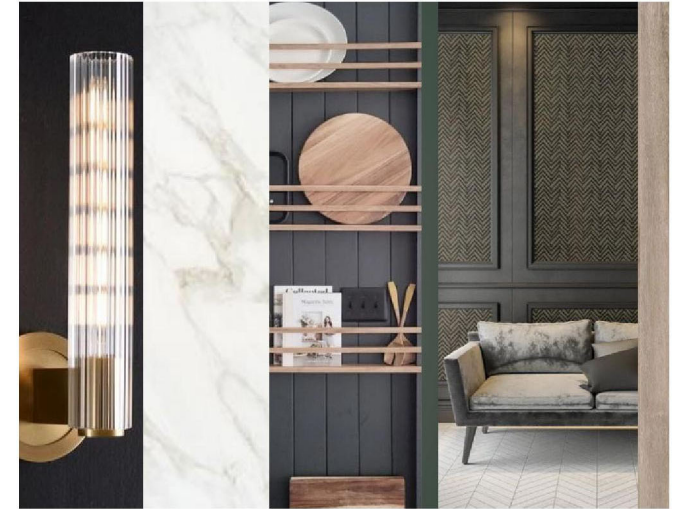
Shakopee (2 projects)
Vadnais Heights (2 projects)
Waconia (2 projects)
Forest Lake (2 projects)
Rochester (12 projects)

Recent Projects

4



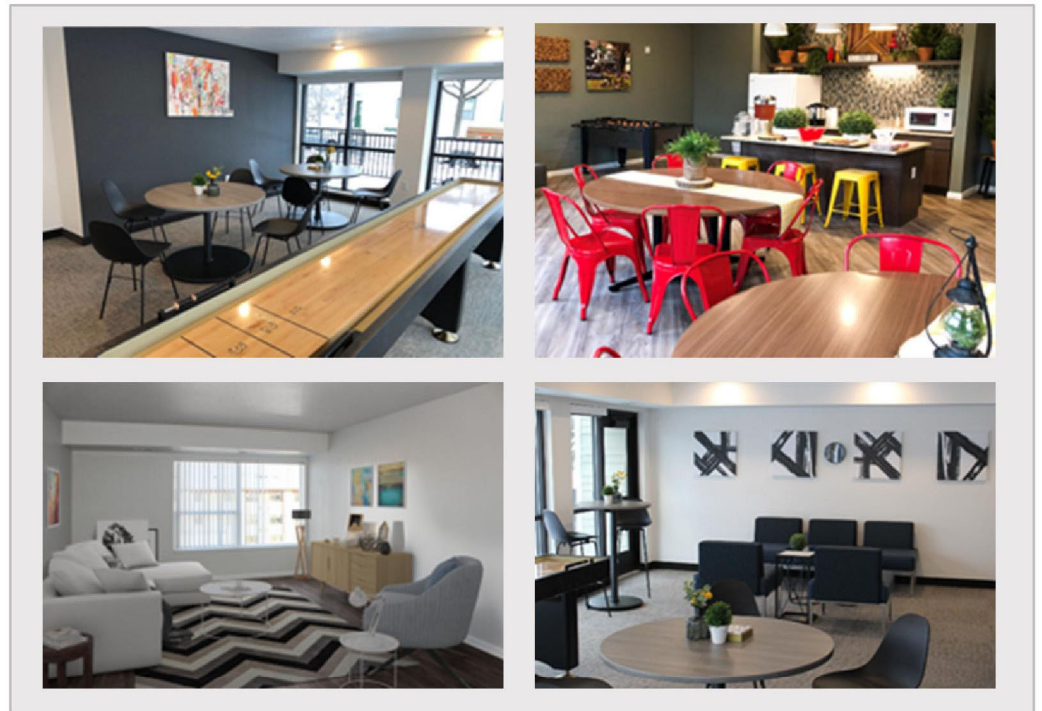
The Villas of Mounds View
120 units
Mounds View, MN
Construction Start June 2022



The Villas at Pleasant Ave
150 units
Burnsville, MN
Construction Start July 2022

Project Features

- On-site Management
- Community Room
- Fitness Center
- Secure Building Access
- 24-hour Surveillance
- Secure Package Room
- Bike Friendly – Hanging Bike Racks
- Underground Parking – Included in Rent
- In-unit Laundry
- Green Features: LED lighting, Low Flow Fixtures, Recycling Chutes and Receptacles throughout Building.



Zywiec Property

6



Why this site?

- Support expanding employment base
- Diversify housing stock in the area
- Connectivity to local amenities



MWF 2022 - No Inflation

City of Cottage Grove, MN

120-Unit Mixed Income Apt



ASSUMPTIONS AND RATES

DistrictType: Housing
 District Name/Number: 20
 County District #: 20
 First Year Construction or Inflation on Value: 2023
 Existing District - Specify No. Years Remaining: 20
 Inflation Rate - Every Year: 0.00%
 Interest Rate: 5.50%
 Present Value Date: 1-Aug-24
 First Period Ending: 1-Feb-25
 Tax Year District was Certified: Pay 2023
 Cashflow Assumes First Tax Increment For Development: 2025
 Years of Tax Increment: 16
 Assumes Last Year of Tax Increment: 2040
 Fiscal Disparities Election [Outside (A), Inside (B), or NA]: Inside(B)
 Incremental or Total Fiscal Disparities: Incremental
 Fiscal Disparities Contribution Ratio: 34.3926% Prelim 2023
 Fiscal Disparities Metro-Wide Tax Rate: 133.6670% Prelim 2023
 Maximum/Frozen Local Tax Rate: 92.082% Prelim 2023
 Current Local Tax Rate: (Use lesser of Current or Max.): 92.082% Prelim 2023
 State-wide Tax Rate (Comm./Ind. only used for total taxes): 34.0000% Prelim 2023
 Market Value Tax Rate (Used for total taxes): 0.29227% Prelim 2023

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	0.75%
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	29.027.21.22.000	ZYWIEC JOSEPH J & ZYWIEC FAMILY TRS	Not Assigned	464,600	0	464,600	100%	464,600	Pay 2023 Ag Non-Homestead		4,646	Rental	5,808	1
				464,600	0	464,600		464,600			4,646		5,808	

Note:

1. Base values are for pay 2023 non-Green Acres taxable value from an email from County Assessor on 10/6/2022; lot split in process.
2. Located in SD # 833, WS-South Washington, and taxing district 1904.

MWF 2022 - No Inflation

City of Cottage Grove, MN
120-Unit Mixed Income Apt



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 2023	Percentage Completed 2024	Percentage Completed 2025	Percentage Completed 2026	First Year Full Taxes Payable
1	Apartments	190,000	190,000	96	18,240,000	Rental	228,000	2,375	25%	75%	100%	100%	2027
1	Aff Apartments	190,000	190,000	24	4,560,000	Aff. Rental	23,400	975	25%	75%	100%	100%	2027
TOTAL													
Subtotal Residential				120	22,800,000		251,400						
Subtotal Commercial/Ind.				0	0		0						

Note:

1. Market values are based upon estimated from the County Assessor via email on 10/10/22.

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	228,000	0	228,000	209,948	0	0	53,310	263,258	2,742.27
Aff Apartments	23,400	0	23,400	21,547	0	0	6,839	28,386	1,182.77
TOTAL	251,400	0	251,400	231,495	0	0	60,149	291,644	

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	291,644
less State-wide Taxes	0
less Fiscal Disp. Adj.	0
less Market Value Taxes	(60,149)
less Base Value Taxes	(5,348)
Annual Gross TIF	226,147



MWF 2022 - No Inflation

City of Cottage Grove, MN

120-Unit Mixed Income Apt

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
100%	62,850	(5,808)	-	57,043	92.082%	52,526	26,263	(95)	(2,617)	23,552	22,308	0.5	2025	08/01/25
100%	188,550	(5,808)	-	182,743	92.082%	168,273	84,137	(303)	(8,383)	75,450	111,710	1.5	2026	08/01/26
100%	251,400	(5,808)	-	245,593	92.082%	226,147	113,074	(407)	(11,267)	101,400	263,758	2.5	2027	08/01/27
100%	251,400	(5,808)	-	245,593	92.082%	226,147	113,074	(407)	(11,267)	101,400	347,620	3	2027	02/01/28
100%	251,400	(5,808)	-	245,593	92.082%	226,147	113,074	(407)	(11,267)	101,400	429,237	3.5	2028	08/01/28
100%	251,400	(5,808)	-	245,593	92.082%	226,147	113,074	(407)	(11,267)	101,400	508,670	4	2028	02/01/29
100%	251,400	(5,808)	-	245,593	92.082%	226,147	113,074	(407)	(11,267)	101,400	585,977	4.5	2029	08/01/29
100%	251,400	(5,808)	-	245,593	92.082%	226,147	113,074	(407)	(11,267)	101,400	661,215	5	2029	02/01/30
100%	251,400	(5,808)	-	245,593	92.082%	226,147	113,074	(407)	(11,267)	101,400	734,440	5.5	2030	08/01/30
100%	251,400	(5,808)	-	245,593	92.082%	226,147	113,074	(407)	(11,267)	101,400	805,704	6	2030	02/01/31
100%	251,400	(5,808)	-	245,593	92.082%	226,147	113,074	(407)	(11,267)	101,400	875,061	6.5	2031	08/01/31
100%	251,400	(5,808)	-	245,593	92.082%	226,147	113,074	(407)	(11,267)	101,400	942,562	7	2031	02/01/32
100%	251,400	(5,808)	-	245,593	92.082%	226,147	113,074	(407)	(11,267)	101,400	1,008,257	7.5	2032	08/01/32
100%	251,400	(5,808)	-	245,593	92.082%	226,147	113,074	(407)	(11,267)	101,400	1,072,193	8	2032	02/01/33
100%	251,400	(5,808)	-	245,593	92.082%	226,147	113,074	(407)	(11,267)	101,400	1,134,418	8.5	2033	08/01/33
100%	251,400	(5,808)	-	245,593	92.082%	226,147	113,074	(407)	(11,267)	101,400	1,194,977	9	2033	02/01/34
100%	251,400	(5,808)	-	245,593	92.082%	226,147	113,074	(407)	(11,267)	101,400	1,253,916	9.5	2034	08/01/34
100%	251,400	(5,808)	-	245,593	92.082%	226,147	113,074	(407)	(11,267)	101,400	1,311,277	10	2034	02/01/35
100%	251,400	(5,808)	-	245,593	92.082%	226,147	113,074	(407)	(11,267)	101,400	1,367,103	10.5	2035	08/01/35
100%	251,400	(5,808)	-	245,593	92.082%	226,147	113,074	(407)	(11,267)	101,400	1,421,435	11	2035	02/01/36
100%	251,400	(5,808)	-	245,593	92.082%	226,147	113,074	(407)	(11,267)	101,400	1,474,313	11.5	2036	08/01/36
100%	251,400	(5,808)	-	245,593	92.082%	226,147	113,074	(407)	(11,267)	101,400	1,525,776	12	2036	02/01/37
100%	251,400	(5,808)	-	245,593	92.082%	226,147	113,074	(407)	(11,267)	101,400	1,575,861	12.5	2037	08/01/37
100%	251,400	(5,808)	-	245,593	92.082%	226,147	113,074	(407)	(11,267)	101,400	1,624,606	13	2037	02/01/38
100%	251,400	(5,808)	-	245,593	92.082%	226,147	113,074	(407)	(11,267)	101,400	1,672,046	13.5	2038	08/01/38
100%	251,400	(5,808)	-	245,593	92.082%	226,147	113,074	(407)	(11,267)	101,400	1,718,216	14	2038	02/01/39
100%	251,400	(5,808)	-	245,593	92.082%	226,147	113,074	(407)	(11,267)	101,400	1,763,151	14.5	2039	08/01/39
100%	251,400	(5,808)	-	245,593	92.082%	226,147	113,074	(407)	(11,267)	101,400	1,806,883	15	2039	02/01/40
100%	251,400	(5,808)	-	245,593	92.082%	226,147	113,074	(407)	(11,267)	101,400	1,849,445	15.5	2040	08/01/40
							113,074	(407)	(11,267)	101,400	1,890,867	16	2040	02/01/41
Total							3,386,859	(12,193)	(337,467)	3,037,200				
Present Value From 08/01/2024							2,108,555	(7,591)	(210,096)	1,890,867				
Present Value Rate							5.50%							

MINUTES

COTTAGE GROVE CITY COUNCIL

COUNCIL CHAMBERS
12800 RAVINE PARKWAY SOUTH

January 18, 2023

SPECIAL MEETING – Training Room **Training Room**

1. CALL TO ORDER

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

2. AGENDA ITEM

A. 2023 Legislative Meeting

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SPECIAL MEETING - ST. CROIX ROOM

3. AGENDA ITEM

A. Rental Housing Development Project by MWF

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4. ADJOURNMENT

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

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