



COTTAGE GROVE ECONOMIC
DEVELOPMENT AUTHORITY

December 3, 2024

12800 RAVINE PARKWAY SOUTH
COTTAGE GROVE, MN 55016

COUNCIL CHAMBER

- 6:00 PM

- 1 Call to Order
- 2 Pledge of Allegiance
- 3 Roll Call
- 4 Approval of Minutes
 - A November 12, 2024 Minutes
Staff Recommendation: Approve the Regular Meeting Minutes of November 12, 2024.
- 5 Business Items
- 6 Public Hearings
 - B Adopting Final HRA Tax Levy
Staff Recommendation: Approve Resolution 2024-013, setting an HRA levy on taxable property of the City of Cottage Grove, Washington County, Minnesota for fiscal year 2025, a special benefit tax levy, not to exceed \$137,500 per the proposed 2025 budget on file with the City.
- 7 Other Business
- 8 Workshop
- 9 Adjournment



MINUTES

November 12, 2024

CITY OF COTTAGE GROVE ECONOMIC DEVELOPMENT AUTHORITY (EDA) MEETING 12800 Ravine Parkway South Cottage Grove, MN 55016

Pursuant to due call and notice thereof, a meeting of the Economic Development Authority was held on the 12th day of November, 2024, at 7:30 a.m.

1. CALL TO ORDER

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

2. PLEDGE OF ALLEGIANCE

EDA President Bailey asked everyone to please stand and join in reciting the Pledge of Allegiance.

3. ROLL CALL

Economic Development Director Gretchen Larson called the roll: EDA President Bailey-Here; EDA Vice President Olsen-Absent; EDA Member Carey-Absent; EDA Member Jean-Baptiste-Here; EDA Member Myers-Here; EDA Member Scott-Here; EDA Member Tschida-Here.

Members Absent: EDA Vice President Olsen
EDA Member Carey

Staff Present: Jennifer Levitt, City Administrator
Gretchen Larson, Economic Development Director
Brenda Malinowski, Finance Director
Crystal Raleigh, Assistant City Engineer
Genevieve Tester, Graduate Engineer

Others Present: Sarah Erickson, Economic Development Coordinator, Minnesota Chamber of Commerce, Grow Minnesota! Program
Laurie Levine, President and C.E.O., Cottage Grove Area Chamber of Commerce
Sean O'Neil, Director of Economic Development and Research, Minnesota Chamber of Commerce, Grow Minnesota! Program

4. APPROVAL OF MINUTES

A. Approve the September 10, 2024 EDA Meeting Minutes.

EDA Member Scott made a motion to approve the September 10, 2024 EDA Meeting Minutes. Motion was seconded by EDA Member Tschida. Motion passed unanimously (5-to-0 vote).

5. PRESENTATIONS

A. Beige Book Reports and Development Updates

Director Larson gave the Beige Book report for October: Employment: Increased slightly since the last report. Most workers surveyed reported a decrease in the ability to find jobs that met their skill set. Prices: Increased overall, but the prices charged to customers has still not been adjusted. Consumer Spending: Was flat. Construction Activity: Declined. Commercial Real Estate: Vacancies remained flat. Office Market Sector: Is still soft. Retail Vacancies: Improved. Residential Real Estate: Sales improved. Manufacturing Activity: Decreased again. Natural Resource Conditions: Stable. Oil and Natural Gas Exploration: Remained unchanged. Minority and Women-Owned Businesses: Reported lower sales, and profits continued to decline since the last report.

Cottage Grove Construction Updates: Trellis (Bluestem) Senior Complex: Installation of the exhaust fans and exhaust ductwork on the first floor has begun, and the plumbing rough-in inspection has passed. Second-floor framing has passed inspection, and installation of the HVAC ductwork is complete. Installation of the gypcrete has started on the second floor and is complete on the third and fourth floors. Installation of the exterior finishes are about 70% complete. Low Zone Water Treatment Plant (10875 Ideal Avenue): Installation of the process piping in the lower level continues for the next few months. Painting has started on the precast walls in the pre-treat area. Excavation continues at the west stormwater pond. Utility Building (10875 Ideal Avenue): Finish painting continues for the interior offices, mechanical rooms, and storage areas. The installation of the irrigation is complete, and the installation of landscaping has started. Director Larson stated she'd be happy to answer any questions on any of those projects, but none were asked.

B. Business Retention and Expansion Updates

Director Larson stated I'll just remind everybody that on September 6, we mailed out the survey with an October 14 deadline; we received 50 completed surveys, approximately a 19% participation rate, which is good. We also encouraged folks to complete the survey by giving them a chance to win a gift certificate to River Oaks for an after-hours party; the winner of that was Tradehome Shoes, and they've been notified. So, the completed survey is done and we did it in partnership with the Chamber and Grow Minnesota! Sarah Erickson with Grow Minnesota! is here to present the final report to all of you, and then staff and the team from the Chamber will be happy to answer any questions that you have.

Sarah Erickson thanked Gretchen and the EDA for having me today, it's really an honor. She stated I'm the Economic Development Coordinator at the Minnesota Chamber of Commerce. My colleague, Sean O'Neil, and I work on the Grow Minnesota! program, so that's the Economic Development wing of the Chamber. We started out fundamentally as a partnership between local Chambers of Commerce and then to work with Business Retention and Expansion, so that works in two primary ways: Meeting with businesses to collect insights and data to help them grow, and then also connecting them with resources and program to help them thrive and stay in Minnesota. Over time, we've grown to add in some of the City staff; we found that the public-private partnership can be some of the most effective solutions at actually addressing issues the businesses are facing. So, I've had the pleasure of working with Laurie and Gretchen throughout the process.

I'm going to go through the results. I'm going to quickly talk through some local economic data, just to set the scene, Our key questions for the report were:

- How many expansion projects are occurring?
- What's better needed to support local businesses?
- What factors are affecting outcomes?

We primarily are relying on the survey that we did, but then we also did pull some government data from State and Federal levels. We also relied on some conversations they had had with local businesses and then a statewide survey that we did back in April.

Largely, the economic data out of Cottage Grove is positive: The total employment has nearly doubled, and in the past five years alone, Cottage Grove has added nearly 1,300 jobs. We're watching that continue as we go into 2024, so this is looking at the past 1.5 years, and you have added almost 900 jobs during that time; it's a really solid growth, and you have even recovered from the post-pandemic time and more.

Looking at where that job growth is coming from, it has been really driven by the Manufacturing during this time. Wholesale Trade, Health Care is following a little bit farther behind, as are some of those Finance professional services. Notably, Retail Trade and Educational Services has seen some significant declines, but this period does also include the pandemic so it's likely some of that affect is still in there. Part of that growth has been business growth; so, in that same five-year period almost 1,300 jobs and 125 new businesses were added.

Going along with new businesses is unemployment: This is a really tight labor market in Cottage Grove. So, you're seeing that 3.1% for the unemployment rate, and notably, that's historically low for Cottage Grove, but it's low in general. Compared to the State, it's fairly low, and then it's almost a point lower than the national average; so, when you hear somebody talking on the news about a tight labor market, think that Cottage Grove is a dramatically harder market. So, that's just something to note.

Diving into the report, Gretchen mentioned it was open for a little over a month. We had 50 responses, 48 complete responses, as two people said they preferred an in-person survey but then did not provide proper contact information so we couldn't follow up. For people who actually clicked on the link, it was 82%, so you saw the 19% and then the 82%, so it's getting people to click on that link. All of the respondents had a physical presence in Cottage Grove and most also were headquartered in the State; there were a few folks who were headquartered in other places but it was largely Minnesota.

We also saw a nice distribution of industry, with at least 12 different industries. There was a pretty big population of the “Don’t Know/Left Blank,” and that’s not incredibly uncommon as folks don’t always know their NAICS Industry Codes. So, I think there is some room for diving into some of the industries that were perhaps underrepresented and seeing what’s going on there, but I am happy that we saw 12 different lines where we saw some of the key industries represented in the survey.

Now I’m looking at the business size: So, 78% were small businesses and 12% had no other employees than the owner, and that’s pretty standard from what we’re seeing. The thing that I think shocked us the most was the lack in the 50-to-499 range; there were some that we were expecting to see in there. Based off their responses and reading through them, it looks like some of the ones that we expected to see have sites or facilities in other states and cities, and they counted that towards their employee count, pushing them into a higher bracket. I think that’s something that would be worth kind of going back and targeting some of those midsize businesses because they are really significant employers in the area, so I think that’s kind of a point of future research.

So, looking at the answers, we’re seeing it’s pretty stable with moderate optimism, so the current performance has been pretty strong; there are a few folks who are reporting declines, but it’s pretty stable. There are a few people that are also in their first year so didn’t have a comparison; I think when we look on the other side, we’re seeing optimism for the next year, so most are predicting moderate growth or stability and a few are expecting declines. People tend to be a little optimistic, but I think that when we look at the workforce, we also see that optimism carrying through; if people are reporting that their staffing levels are planning to stay relatively stable or a modest increase, we’re seeing that optimism and stability in the businesses that we want to see.

Looking at the all-important workforce availability question, we asked it kind of in two different ways: Are you having difficulty finding employees? And I was actually a little surprised to see how large the “No” population is, but there were still 13 that said “Yes,” but that was a slight shift that we’re seeing. Interestingly, with the availability, 60% said it’s about the same, 6 saying easier, 6 saying harder, but largely it’s about the same; it is important to take caution because this is a small sample size. I think that interaction between those two is pretty interesting as you’re starting to see it’s still a hard labor market, but they’re having less difficulty finding employees. It might imply they’re starting to adapt and are able to change and find strategies to find the workers that they need.

So, as they’re finding workers, they’re keeping stable, they’re planning some growth; what do those future plans look like? We’ve kind of got a mix of what they’re looking at for future plans: Either they have concrete plans for an expansion, they bought a building, they’re building it out or thinking about it. There are some other folks that if the opportunity arose, they said that they would be interested in it or they’re looking at what that financial situation would look like. So, we wanted to dive into this a little bit more and understand what those future plans do look like if they have them. I think this was something I was really happy to see, that the two most common responses were increase our staffing levels in Minnesota and conduct a capital investment project in Minnesota, that those were the top of the list. It was really positive, and I also want to draw your attention to the bottom, close the business and reduce our workforce were the bottom two; zero said reduce our workforce, which is very positive. The three above it are all outside of Minnesota, so we’re seeing that the businesses are really continuing to prioritize their facilities in Minnesota and their expansions and investment in Minnesota. So, we’re seeing a strength and a tie to the community there, which we like. Notably, there’s a note on there about “None of the Above,” and that likely refers to folks that are just kind of doing the status quo, they aren’t doing a large investment, they aren’t closing, they’re maintaining where they’re at. There could be a few others in there, but that’s kind of what we’re trying to get at.

We asked a little bit more about what some of their investments and expansions have looked like. Most have not made any major expansions recently, 12 did, and when we look at the responses of the 12 that did, you can see really strong community ties. The most common response was, “It’s where I live,” and I think that’s something that’s easy to underscore, but it is really important; folks are very happy in Cottage Grove, and that’s what we’re seeing in the report. There are community ties, their spouses work here, and then also the Twin Cities Metro is a really strong growth market still for a lot of businesses, there’s kind of the dual piece, keeping and drawing people here.

Looking at some of the Notable Investments here, there were six for the past five years, and it’s really driven by Manufacturing, which is fairly common; it’s a high-expense industry, it creates a lot of jobs generally, but we’re seeing that they’re willing to invest a significant amount, and they are able to find the workers because most of these are final numbers, but a few are still projected.

Diving in to what’s causing these expansions, what’s preventing these expansions, the two biggest issues are workforce availability and State tax rates. So, that workforce availability is broken down into two pieces: General lack of available workers and lack of high-skilled workers, and when you add those together, you get 11. We’re seeing those State tax rates and the workers really jumping ahead of some of the other issues. I also want to draw your attention to the bottom four, the zeroes: Lack of support/assistance from local or State officials; Lack of community amenities; Lack of access to support infrastructure; Lack of available childcare in the community. I think those are really strong to see at zero, but those aren’t issues the people are having. I would say I have one caveat to the childcare one is that we asked available, not affordable, and we also surveyed a lot of business owners and leaders, who may not have the same childcare issues as some of their employees; so that would probably be worth digging into a little bit more going forward. Some of the others zeroes are really positive to see. And then, obviously, the “None of the Above” is

Economic Development Authority - Minutes

November 12, 2024

Page 4 of 8

21, so we're kind of looking at that a little more. We asked a follow-up question that was a short answer that went along with this to see what their greatest barriers are, and largely it's overarching trends: Workforce-Is still an issue, we're still seeing competition and wages have put a lot of pressure on a lot of businesses. Economic Conditions-Inflation and interest rates have hit hard, prices have increased, costs of insurance have gone up, and the cost of borrowing has gone up. Industry Trends-If it's a seasonal business or it's driven by weather, there's going to be things that affect it.

They are still navigating some location based and regional issues: Marketing and Foot Traffic-We saw that a few times; that's more typical in your retail businesses. We saw Old Cottage Grove mentioned a few times in here, so that's really something to consider. Location Availability-Finding a space to have your business, whether it's a prebuilt building or available plot of land. Local Issues-Road Construction is always going to be an issue, especially in Minnesota, but I think that's true everywhere. Public Transportation was an interesting one that you see on the list. Energy Reliability. State Issues-Tax Rate. Customers leaving the State and kind of going to the southern area.

One thing I really want to highlight is Cottage Grove is not alone in these trends, so the left column is the Cottage Grove top five most common answers; the middle is the Statewide survey of businesses we did in April; the right column is from the same Statewide survey where we talked to economic developers and City staff, like Gretchen, and they're seeing the same things around the State. So, it's just kind of important to know that while Cottage Grove is seeing these headwinds, so is the rest of the State.

Dividing in, what we looked at in that report, we found: Economic Conditions-The inflation and the interest rates are just really hard for people to deal with; doing these large capital investments normally does mean borrowing and that cost has just skyrocketed. Policy Environment-Has created a really particularly interesting dynamic, so, the large public investments (CHIPS, IRA) in infrastructure and some of the more advanced manufacturing has created a really big spike in project leads, especially large project leads; however, some of the State tax rates and mandated programs are decreasing some of our competitiveness on those projects. Workforce-As always, workforce is a really strong competitive advantage for Minnesota, but also Cottage Grove. When we look at some of the workforce numbers in the projects that happened, we're seeing that those are really highly-skilled workers, and there's a lot of them and businesses are comfortable making investments for those workers. We can see such a strength in the workforce, even if it's hard to find those skilled workers. Sites and Properties-Site availability is a really growing issue that we started to see more and more. There are very few sites available, as we're in a metro, it's a pretty built-out area already, and very few of those sites are considered shovel ready. Also, the high cost of inflation and interest rates have decreased the number of Spec buildings that have happened over the past few years, so there are fewer buildings available in general. As I mentioned with some of those large public investments, the demands for utility, energy, water, wastewater, sewage have really increased over the past few years. So, we're seeing a changing environment there.

I want to end it back with the City Services. We finished up the survey by asking people to rate their experience with City Services, 1 to 5, got 0 ones, which is really good to see. And, overall, people are very positive about their experiences, so the lowest-rated ones with an average of 3.8 were Transportation, Planning, Zoning, and Permitting. Wastewater, Water, and Sewage had a 4.2, kind of right in the middle. And then the highest were Police and Fire, which are to be expected.

But overall when we look at this and then kind of the whole report, we see a really strong business community in Cottage Grove; there's strong workforce, there's a strong labor force, so we're really excited I think to see what Cottage Grove can do. There are certainly some headwinds, and that's not to be dismissed, but they're not headwinds that Cottage Grove is facing alone. I think a proactive approach to economic development and these issues will get us past that.

So, I really appreciate you listening to me today and taking the opportunity. If you have any questions, I'll be happy to answer them.

EDA President Bailey said well, first of all, thank you for supporting this Laurie, with the Chamber being a part of this, too. It's some great information. Before I ask any questions, does the EDA have any questions or thoughts that you'd like to add? No one spoke.

EDA President Bailey said I guess a couple things kind of stuck out to me: One is I know with the Chamber, we had been talking, being on the Chamber Board as a guest member, but there had been a lot of talk about the need for childcare. And I know you alluded to the fact that maybe some of the people that were answering the questions might be more of the executives that don't have the childcare issue. It is interesting on the economic advisor side they rated it very high, but yet for us it's like to the bottom and then the others in Minnesota were not as high. I know you said we should maybe look into that a little bit further; publicly, there's been a lot of talk about the need for that. In the future, would you think commenting about affordable, as you mentioned, might be the better way to assess childcare as a need on this reporting?

Sarah replied I think affordable is probably the better way to approach it. I think when you look at some of the childcare costs that we're seeing, it's almost equivalent to a fulltime job; so, that's not affordable for most people. So, looking, using maybe the Average Median Income (AMI) and comparing that to what a reasonable childcare rate would be. If we can determine what that reasonable childcare price would be based off the AMI, we can kind of look to see maybe there are spots of childcare available in the City, but what is the cost of that and does that make sense for the community pricing? How could we affect those costs and how can

Economic Development Authority - Minutes

November 12, 2024

Page 5 of 8

we help support childcare businesses? It's a hard industry to be in, that kind of also affects it. So, I do think the affordable approach would be a really interesting one, and making sure we're talking to and serving the right people on that. So, that's kind of what I alluded to is they're probably not the right people to ask about child care, they're going to be probably in their 40s or 50s, and they don't have young children that they're caring for, and childcare costs have skyrocketed. So, if we kind of, I believe Laurie, you're looking into this a little bit more, so taking that approach, looking at the affordable childcare based off the AMI, understanding how that interacts, and then how we can support more businesses at that level.

EDA President Bailey said then, for our staff, two items that I thought were interesting: One is kind of on this graph, even though it's not as bad as maybe I thought it would be, and that has to do with Transportation; you know, kind of a twofold approach, we've heard a little bit from our Business Park the need for I'll call it a circulator of some sort for getting people into the businesses. The second, of course, and I know we're working on 100th Street as a project, but just general access. So, frankly, I was kind of surprised that Transportation rated as high, and I know it's more than just the Business Park, so I'm kind of honing in on the Business Park area. What are your thoughts, Jennifer, or staff on that?

City Administrator Jennifer Levitt replied well, members of the EDA, I think your point is well taken, as I think we've heard the need for a circulator in our Business Park to be able to get people from the Park and Ride into the Business Park, but we also know the Park and Ride times of the busing are not desirable. Council heard a presentation back in October from Metro Transit, and they'll be launching some different routes into Cottage Grove, but that's not until like 2026-2027; and, so, I think there is this unfortunate gap that we have in transportation in the Business Park. Mayor, I know you're working with the County Commissioner as well, trying to get that local bus circulator is really important to be able to provide transportation to those jobs. I think when you look at transportation and affordable childcare, I think those are two things that are probably going to be limiting and making finding those employees difficult. You saw some of that in the slides, and so, I think those are probably the two biggest hurdles we have to figure out how to overcome in our community.

EDA President Bailey said my last question or comment, which I thought was interesting, and it showed up on this report was reliable electricity. You may not be aware, but we've been having some challenges in our community with random power outages for a variety of different reasons that are not necessarily related to weather. So, the fact that the businesses are making comments about that, I think for us, knowing that we have an opportunity to have the C.E.O. for Xcel to come out for a visit, might be a great opportunity to share that it's not just us saying it, or our citizens saying it, but it's affecting businesses within our community. And the survey results that you gathered is another example where it's not just us saying it, the businesses are telling it through the survey that you guys provided. So, just food for thought on that because that's been a little irritating for many of us; but it is, we've had a lot of challenges locally with the power.

Sarah stated I think it was mentioned because it was in the short response and then a few folks also said energy prices are too high, but I have to imagine they may also be getting at some of the other energy issues.

EDA President Bailey stated I get the energy pricing, but reliable is the key, and there's a challenge with it. They're excited to have all these new businesses and they want all the revenue that's being generated, but they have to provide reliable electricity. On the other hand, we're doing very well on the water, wastewater, sewer, the piece that we handle in Cottage Grove, so that piece we're good at, but it's getting our partners at Xcel to do better on their side of things, so.

EDA Member Tschida stated I'm just wondering how we can do a better job getting more responses; I mean, we have 260 businesses that we sent it to, and we got 50 responses. I mean, hopefully in the future we can expand upon that.

Sarah replied one thing we've talked about for the future is doing a little bit more of a target approach; so, picking a specific group that we really want to hit. Maybe it's those midsize businesses or a certain industry and going out and doing a more proactive kind of pushing them, meeting in person, requesting to fill out the survey. So, we're going to do a little bit more of that groundwork next time and do a really specific outreach to certain industries. I think that will be kind of how we address that going forward to get more specific responses. I will say we were pretty happy with 50, that was our goal was to hit 50 at least, so it gave us a good enough sample size to make some predictions and identify areas for us to go further on in the future.

EDA President Bailey thanked Sarah for presenting and also her partner, who was present; we appreciate the feedback. And, Laurie, thank you for your support with the Chamber on this project, too.

C. RFP for Selection of Internet Providers

Genevieve Tester, Graduate Engineer, introduced herself as the Graduate Engineer. Today I'm going to talk you through the proposal for a Citywide Broadband Program. We've received inquiries from Internet Service Providers (ISPs) looking to install communication lines in our City Right-of-Way across the community. Upon permitting approval, this could mean continual disturbance for residents

Economic Development Authority - Minutes

November 12, 2024

Page 6 of 8

and the City, just having various contractors working all over town in an unorganized and potentially unequitable fashion. We looked upstream and saw an opportunity to more acutely manage our Right-of-Way space; and as a preliminary effort, last Wednesday City Council approved a Hometown Fiber Broadband Aware Program, which is the field work to better understand our fiber needs in the community.

So, what are the City's needs? This could provide our residents with high-speed connection opportunities. This could provide more robust Internet solutions for the Business Park, which currently is lacking. This could provide Internet connectivity to City buildings and infrastructure in a more cohesive and streamlined manner than what currently exists.

So, we researched what other cities across the U.S. are doing with Citywide fiber networks, and we landed on the idea of creating a Request for Proposal for ISPs to create and implement a Citywide fiber network. We'd like to hire the experts, as broadband networking is a highly-specialized industry, and there are local companies that specialize in Citywide fiber networks. We reached out to four broadband specialty companies, we interviewed two, and are proposing to the EDA that we work with Hometown Fiber out of Minnetonka, Minnesota. The hired service could assist the City with the planning stages, the design, and the actual construction and management of the field work. We essentially will have greater control of our Right-of-Way where it's being disturbed and consequentially restored. The Recommendation is on the screen before you, and staff is available for questions.

EDA President Bailey asked if the EDA Members had questions on this particular topic or the purpose behind it.

EDA Member Jean-Baptiste asked so when we chose them, what were like the main criteria, which we valued them on; obviously, price being a factor, but did we look at previous work, safety records, things of that nature?

Genevieve replied I would say the driving factor was their experience, specifically their experience in the local area of Minnesota. They have really great reports of counties and cities that have gone through it and their contact information to reach out to kind of have their almost resume of it all. So, I'd say as soon as we met with Hometown Fiber, in that interview stage, it was kind of a no question sort of thing; it was these people are familiar with the area, they're doing this, as this kind of technological broadband awareness program is happening throughout the country. They're almost leaders in the effort of knowing what's going on, so, like I said, they were kind of leaders in that interview stage.

EDA Member Tschida stated so you had mentioned the Business Park; are there any other areas of town that we're really looking to expand broadband into right now?

Genevieve replied yes, so like I mentioned, last Wednesday the City Council approved this awareness program; so, essentially, currently, right now the Hometown Fiber team is part of that approval, are boots on the ground, looking at every connection fiber point in our City. So, at the end of that, we're going to have a great map of our fiber needs, where we're strong in fiber, where we're not so strong, and we expect that the Business Park is going to have some "red areas." And, so, from there, we can work with Internet Service Providers to say we want you to start here, we want you to start in our Business Park, we want you to start in whatever part of the City, so that's that greater control piece.

EDA President Bailey asked what's kind of the timeframe; so, say we approve this and bring them on board, we get the data and information, so what are we thinking? Is it a year, two years, three years? What's the thought process?

Genevieve said correct me if I'm wrong, so they're out doing their field work now for that broadband Aware Program, and then at the beginning of next year, we're going to hone in on what that RFP looks like and start writing it and drafting it. And then in spring, sending out that RFP, and then from there, I would assume it would kickstart. To get through the whole City will take a few years for sure, but I think it's a sooner rather than later project.

EDA President Bailey said and I'm assuming when all the data comes in, I'll maybe ask you this, Jennifer, will they or you come back to the EDA and share what the data shows, where the "red blobs" are, if you will, or where the fiber is needed?

Administrator Levitt replied absolutely, because I think one of the key things we have is to understand where the voids are; as the commissioner mentioned, the question is where should our target areas be? Because right now, we know there are residential neighborhoods that are lacking, and with a lot of people working from home, that is definitely a need that's in our community and growing. I think there are some voids within our retail market that probably need to be shored up as well and then our Business Park. So, I think once we get our field work done, actually mapping out where those voids are, it'd be important for us to then be able to prioritize; and I could see the EDA being part of that prioritization with the company, so we'd want to bring that data back, analyze it with you, make sure we're kind of going in the same direction you see as our priority areas, and then be able to work with that end user and that provider as we enter into a contract with them for the actual installation. As Genevieve mentioned, I would anticipate probably like Q3 of 2025 we'd probably start to see some of that installation. EDA President Bailey said okay, thank you.

EDA President Bailey asked if there were any other questions, and none were asked. He asked if someone would make the motion.

Recommendation: By motion, Approve Professional Services Agreement with Hometown Fiber to create and issue an RFP for the selection of Internet Service Providers to assist with development of a Citywide Broadband Program in an amount not to exceed \$19,772.00.

EDA Member Tschida made a motion to Approve Professional Services Agreement with Hometown Fiber to create and issue an RFP for the selection of Internet Service Providers to assist with development of a Citywide Broadband Program in an amount not to exceed \$19,772.00. Motion was seconded by EDA Member Jean-Baptiste. Motion passed unanimously (5-to-0 vote).

D. Property Appraisal

Director Larson stated so all of you know that we've been actively trying to bring another hotel to the City since the HVS Hotel Study was done in December 2022. We know there's interest from hoteliers to be in the City as well. So, in order to continue to move that project forward, we do have the opportunity to do an appraisal, if you agree, on 9430 East Point Douglas Road South. For those of you who probably don't remember, that's the Ross property, right adjacent to the 73-acre Shoppes property, and of course Walmart is next door. Mr. Ross unfortunately passed away a bit ago, and Mrs. Ross now wants to downsize; so, obviously, the opportunity to sell her property for a Mixed-Use potential site is intriguing to her, and she, as the property owner, has granted us permission to do the appraisal if you so approve it. We had two quotes: BRKW Real Estate Valuation, and their quote was \$3,200; and the Patchin Messner Valuation Counselors was \$4,000. There is a recommendation before you.

EDA President Bailey said before we move forward here, maybe I don't know if you want to do this or Jennifer, what the EDA has done in the past. I know what we're doing here and kind of thinking here, but do you want to talk about what the EDA has done in the past when it comes to purchasing properties for development.

Administrator Levitt stated the City has a long history of acquisition of properties: There was the old transmission shop on East Point Douglas Road, and we actually did the environmental cleanup effort to be able to make that marketable, to other parcels on the West Point Douglas side of things where there were single-family homes that are now guided for retail or mixed use. We continue to make those acquisitions to make development possible. One opportunity we see on this site is it could fit a hotel, and it could go as a standalone project; utilities have been extended to the property and the actual infrastructure roadway is already there. So, regardless if the 73-acre parcel moves forward, the EDA would have an option to potentially use this property as a marketing strategy to attract a hotel to the site if we have ownership of it. At this point, we would be interested in that appraisal to see if it's an offer that we can financially afford and then see if that would work kind of in our long-range gameplan of trying to secure a hotel for our community. I will also say the Convention and Visitors Bureau hired a company called Chandlerthinks out of Nashville, Tennessee, who is doing our Strategic Planning efforts related to the hospitality industry in Cottage Grove. It is showing a very significant demand for a hotel, so if we did acquire the property and then go out for proposals for a hotel, we think there'd be a very strong market, and we would have a lot of supporting data to support that effort. We think right now, I would say maybe the stars are all aligning maybe for us to bring a hotel; obviously, it has very good visibility to Highway 61 and it has that connectivity to retail, which is also important. So, at this point, this seems like our strongest possibility of being able to kind of have control and help thrust that market forward for a hotel here in Cottage Grove.

EDA President Bailey asked if the commissioners had any questions on the request for the appraisal.

EDA Member Jean-Baptiste said obviously you don't need to provide any specifics, but have we been in touch with any sort of developer that has shown some interest in potentially developing a hotel within Cottage Grove?

Administrator Levitt replied that is a great question. Once our hotel study had been done and completed, it showed a very favorable response for about a 90+ unit hotel. We have been in contact with them, so once we have the appraisal of the land, know what kind of valuation we're looking at, we'd be able to return to those same developers who were interested. As you will talk to any hotel person, they will indicate the land price is the most critical component. As I understand it, the first three years are very challenging in the hotel industry because of its vacancy rate. As you start to build your customer base, those first three years on their proforma are very hard to achieve; so, for them, the only way to make up those losses in the first three years is through a more-reduced or subsidized land sale price. So, that's most likely the way we would have to look at this is entertaining that, to be able to attract that hotel to our community.

EDA President Bailey said maybe I'll just interject a little bit on that, too. We're not just, to be clear, we're not looking at like a Motel 6 or something like that, we're talking about a business class hotel; because we are hearing that from our business partners, even next door here at the HERO Center, all of those people that are coming to use that facility or visit our Business Park, they're all

Economic Development Authority - Minutes

November 12, 2024

Page 8 of 8

staying in Woodbury. And even when we have tournaments and things in town, we have one hotel, but the fact of the matter is if you're going to a tournament, you want a hotel with a pool and a meeting room or something to have fun in with your group. The only hotel we have right now that really has that is Country Inn & Suites, and they're pretty much booked all the time now. So, that's the idea behind this is to try to bring that more business-class hotel in, that will be helpful to that.

As there were no further questions from the commissioners, EDA President Bailey asked who would like to make the motion.

Recommendation: By motion, Authorize the appraisal of 9430 East Point Douglas Road South by BRKW Real Estate Valuation Services for a total cost of \$3,200.

EDA Member Myers made a motion to Authorize the appraisal of 9430 East Point Douglas Road South by BKRW Real Estate Valuation Services for a total cost of \$3,200. Motion was seconded by EDA Member Scott. Motion passed unanimously (5-to-0 vote).

6. PUBLIC HEARINGS - None.

7. OTHER BUSINESS - None.

8. WORKSHOP - None.

9. PRESENTATIONS - None.

10. ADJOURNMENT

EDA Member Scott made a motion to adjourn. Motion was seconded by EDA Member Jean-Baptiste. Motion passed unanimously (5-to-0 vote). The meeting was adjourned at 8:42 a.m.

Respectfully submitted,

Gretchen Larson
Economic Development Director

/jag



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

From: Gretchen Larson, Economic Development Director
Brenda Malinowski, Finance Director

Date: November 27, 2024

Subject: Adopting Final HRA Tax Levy

Background

The Economic Development Authority (EDA) is a legal entity that was created by the City of Cottage Grove to facilitate a well-rounded program for business assistance and development projects. In addition, the City granted the EDA with Housing and Redevelopment Authority (HRA) powers in the by-laws when the EDA was established. Due to the structure of the EDA, property tax levies can be approved for both EDA and HRA activities.

EDA property tax levies can be used for economic or redevelopment activity. Currently, City Council approves an EDA property tax levy as part of the approval for the city's property tax levy. In 2024, the amount was \$275,000. In 2025 the EDA levy amount is \$137,500 and \$137,500 for the HRA levy.

In addition to the EDA property tax levy, a separate tax levy may be established to be used for housing and redevelopment activities. These levies are known as HRA levies. HRA levies can be used for the following:

- To provide a sufficient supply of adequate, safe, and sanitary dwellings to protect the health, safety, morals, and welfare of the citizens,
- To clear and redevelop blighted areas,
- To perform those duties according to the comprehensive plans,
- To remedy the shortage of housing for low and moderate residents, and to redevelop blighted areas, in situation in which private enterprise would not act without government participation or subsidies,
- In cities of the first class, to provide housing for persons for all income.

An HRA levy is subject to an .0185% estimated market value limit or approximately \$1.1 million based upon taxes payable in 2025. The proposed levy is in conformance with this requirement. The attached Resolution 2024-13 authorizes a final HRA levy to be set on taxable property of the City of Cottage Grove, Washington County, Minnesota for fiscal year 2025, a special benefit tax levy, not to exceed \$137,500 per proposed 2025 budget on file with the City.

Discussion

The HRA property taxes on several sample properties are below and attached to this memo are examples of HRA levies in other cities for comparison.

Property	2024 Taxable Market Value	2025 Taxable Market Value	% Increase Market Value	2025 HRA Property Taxes
Median Home	\$369,500	\$354,000	-4.2%	\$7.43
Residential Property 1	371,400	362,900	-2.29%	7.65
Residential Property 2	417,900	414,900	-.72%	8.90
Residential Property 3	441,200	417,000	-5.49%	8.95
Residential Property 4	519,700	505,900	-2.66%	11.10
Commercial Property 1	\$512,200	\$512,200	0.00%	13.69
Commercial Property 2	1,008,500	1,008,500	0.00%	28.00
Commercial Property 3	5,156,400	5,498,800	6.64%	157.47
Commercial Property 4	10,891,200	10,822,900	-0.63%	310.98

Recommendation

1. Hold a Public Hearing to consider setting an HRA levy for fiscal year 2025.
2. Approve Resolution 2024-013, setting an HRA levy on taxable property of the City of Cottage Grove, Washington County, Minnesota for fiscal year 2025, a special benefit tax levy, not to exceed \$137,500 per the proposed 2025 budget on file with the City.

Attachments

Resolution 2024-13
 2025 HRA Levy Budget
 Levies of Area Cities

CITY OF COTTAGE GROVE, MINNESOTA
COTTAGE GROVE ECONOMIC DEVELOPMENT AUTHORITY
RESOLUTION 2024-013

**RESOLUTION ADOPTING FINAL PROPERTY TAX LEVY PURSUANT TO
MINNESOTA STATUTES, SECTION 469.033, SUBDIVISION 6**

WHEREAS, pursuant to Minnesota Statutes, Chapter 469, as amended, the City Council of the City of Cottage Grove, Minnesota (“City”) created the City of Cottage Grove Economic Development Authority (“EDA”); and

WHEREAS, the EDA is authorized to exercise all powers and duties of a Housing and Redevelopment Authority under the provisions of Minnesota Statutes, Sections 469.001 to 469.047; and

WHEREAS, pursuant to Minnesota Statutes, Section 469.033, subdivision 6, the EDA may levy a tax upon the estimated market value of all taxable real property within the City, to finance the EDA’s housing and redevelopment activities, subject to a consent resolution of the governing body of the City for which the EDA was created; and

WHEREAS, pursuant to City Council Resolution 2023-110, the City Council authorized the EDA to levy a special benefit tax to be collected in 2025 in the amount of up to 0.0185 percent of the taxable market value of all taxable property within the City; and

WHEREAS, the EDA shall adopt the final special benefit tax levy for fiscal year 2025 in an amount not to exceed \$137,500, less than 0.0185 percent of the taxable market value of all taxable property within the City; and

WHEREAS, upon adoption of the final levy, the EDA shall take all necessary actions to certify the levy in 2024 in order to receive the levy proceeds for fiscal year 2025.

NOW, THEREFORE, be it resolved by the City of Cottage Grove Economic Development Authority as follows:

1. The EDA hereby adopts the final special benefit tax levy for fiscal year 2025 in the amount of \$137,500, as approved by the Cottage Grove City Council.
2. The EDA staff is hereby authorized and directed to take such other actions as are necessary to certify such levy proceeds for fiscal year 2025.

Adopted this 3rd day of December 2024.

Myron Bailey, President

Attest:

Jennifer Levitt, Executive Director

City of Cottage Grove Annual Budget
Fund 280 - Housing and Redevelopment Authority
Summary of Revenues & Expenditures

	2022 Actual	2023 Actual	2024 YTD as of 9/30	2024 Budget	2025 Budget	2026 Budget
Fund: 280 - HOUSING AND REDEVELOPMENT AUTHORITY						
Category: REVENUE						
3011 - CURRENT PROP TAX	0	0	0	0	137,500	137,500
Total Category: REVENUE	0	0	0	0	137,500	137,500
Category: EXPENDITURES						
4100 - PERSONAL SERVICES	0	0	0	0	84,100	89,500
4300 - CONTRACTUAL SERVICES	0	0	0	0	25,000	25,000
Total Category: EXPENDITURES	0	0	0	0	109,100	114,500
FUND BALANCE, BEGINNING YEAR	0	0	0	0	0	28,400
NET INCREASE (DECREASE)	0	0	0	0	28,400	23,000
FUND BALANCE, END OF YEAR	0	0	0	0	28,400	51,400

City of Cottage Grove Annual Budget
Fund 280 - Housing and Redevelopment Authority
Detail of Expenditures - Program 1160

	2022 Actual	2023 Actual	2024 YTD as of 9/30	2024 Budget	2025 Budget	2026 Budget
Department: 12 - HRA						
Category: PERSONAL SERVICES						
4100 - SALARY-FULL TIME	0	0	0	0	67,000	71,000
4141 - PERA	0	0	0	0	5,000	5,300
4142 - FICA	0	0	0	0	5,100	5,400
4144 - HEALTH INSURANCE	0	0	0	0	6,600	7,300
4148 - WORKERS COMP	0	0	0	0	400	500
Total Category: PERSONAL SERVICES	0	0	0	0	84,100	89,500
Category: COMMODITIES						
Total Category: COMMODITIES	0	0	0	0	0	0
Category: CONTRACTUAL SERVICES						
4300 - PROF SERVICES	0	0	0	0	25,000	25,000
Total Category: CONTRACTUAL SERVICES	0	0	0	0	25,000	25,000
Category: MISCELLANEOUS						
4732 - LOSS-FIXED ASSET	0	0	0	0	0	0
Total Category: MISCELLANEOUS	0	0	0	0	0	0
Category: TRANSFERS						
4700 - TRANSFERS OUT	0	0	0	0	0	0
Total Category: TRANSFERS	0	0	0	0	0	0
Total Department: 12 - EDA	0	0	0	0	109,100	114,500

Preliminary Special Taxing District Levy Changes for CY 2025

November 14, 2024

HRA Levies	Pay 2024	Pay 2025	\$ Change	% Change
ADRIAN HRA	0	0	0	NA
OLMSTED COUNTY HRA	4,909,684	5,172,068	262,384	5.3%
MONTICELLO HRA	451,000	499,000	48,000	10.6%
NW MN MULTI-COUNTY HRA	730,588	853,247	122,659	16.8%
OTTER TAIL COUNTY HRA	2,055,571	2,254,628	199,057	9.7%
ALEXANDRIA CITY HRA	390,926	381,638	(9,288)	-2.4%
DETROIT LAKES HRA	120,000	120,000	0	0.0%
CHISAGO COUNTY HRA	700,000	700,000	0	0.0%
SOUTH CENTRAL MN MULTI-COUNTY HRA	117,740	0	(117,740)	-100.0%
HUTCHINSON HRA	165,000	170,000	5,000	3.0%
RENVILLE COUNTY HRA	293,912	320,364	26,452	9.0%
MORRISON CO HRA	70,000	70,000	0	0.0%
ANOKA HRA	412,474	446,536	34,062	8.3%
AUSTIN HRA	301,866	314,531	12,665	4.2%
BLAINE HRA	1,000,000	1,150,000	150,000	15.0%
BLOOMINGTON HRA	1,665,356	1,965,356	300,000	18.0%
BRAINERD HRA	173,960	173,960	0	0.0%
BROOKLYN CENTER HRA	586,081	606,595	20,514	3.5%
DAKOTA COUNTY HRA	10,773,670	11,483,710	710,040	6.6%
BUFFALO HRA	397,195	404,158	6,963	1.8%
CHASKA HRA	212,801	231,440	18,639	8.8%
CROW WING COUNTY HRA	748,320	800,645	52,325	7.0%
COLUMBIA HEIGHTS HRA	310,000	425,000	115,000	37.1%
COON RAPIDS HRA	725,000	725,000	0	0.0%
CRYSTAL HRA	335,172	355,282	20,110	6.0%
DULUTH HRA	1,706,267	1,982,923	276,656	16.2%
ELK RIVER HRA	440,100	439,950	(150)	0.0%
EDINA HRA	251,700	259,300	7,600	3.0%
FRIDLEY HRA	752,679	810,030	57,351	7.6%
FARIBAULT HRA	380,253	416,418	36,165	9.5%
HASTINGS HRA	508,989	537,640	28,651	5.6%

HRA Levies	Pay 2024	Pay 2025	\$ Change	% Change
HIBBING HRA	50,000	150,000	100,000	200.0%
LITTLE FALLS HRA	128,000	128,800	800	0.6%
HOPKINS HRA	487,653	515,010	27,357	5.6%
LINCOLN COUNTY HRA	75,000	75,000	0	0.0%
MINNETONKA HRA	300,000	300,000	0	0.0%
MOUND HRA	250,000	250,000	0	0.0%
MINNEAPOLIS HRA	5,000,000	5,000,000	0	0.0%
MOWER COUNTY HRA	187,300	217,300	30,000	16.0%
MOORHEAD HRA	709,023	746,140	37,117	5.2%
FERGUS FALLS HRA	244,077	250,094	6,017	2.5%
EDEN PRAIRIE HRA	210,000	220,000	10,000	4.8%
NORTHFIELD HRA	370,547	403,926	33,379	9.0%
OWATONNA HRA	200,000	215,000	15,000	7.5%
PLYMOUTH HRA	658,823	678,588	19,765	3.0%
MAPLE GROVE HRA	150,000	150,000	0	0.0%
RED WING HRA	515,072	530,000	14,928	2.9%
OLIVIA HRA	29,282	35,537	6,255	21.4%
RICHFIELD HRA	699,617	720,610	20,993	3.0%
CHIPPEWA-YELLOW MEDICINE HRA	50,000	90,000	40,000	80.0%
ROBBINSDALE HRA	323,129	334,832	11,703	3.6%
ITASCA COUNTY HRA	240,000	440,000	200,000	83.3%
SCOTT COUNTY HRA	4,576,308	5,059,108	482,800	10.5%
PERHAM HRA	20,000	20,000	0	0.0%
SHAKOPEE HRA	500,000	500,000	0	0.0%
SE MN MULTI COUNTY HRA	995,185	588,333	(406,852)	-40.9%
SOUTH ST PAUL HRA	420,634	442,631	21,997	5.2%
ST CLOUD HRA	714,000	725,000	11,000	1.5%
ST LOUIS PARK HRA	1,744,133	1,194,133	(550,000)	-31.5%
ST ANTHONY HRA	209,414	209,414	0	0.0%
ST PAUL HRA	6,294,694	6,636,903	342,209	5.4%
STEARNS COUNTY HRA	451,088	725,000	273,912	60.7%
ST LOUIS COUNTY HRA	237,035	254,169	17,134	7.2%
VIRGINIA HRA	66,300	84,500	18,200	27.5%
WADENA HRA	41,170	46,058	4,888	11.9%
WASHINGTON COUNTY HRA	6,159,334	6,578,185	418,851	6.8%

HRA Levies	Pay 2024	Pay 2025	\$ Change	% Change
WORTHINGTON HRA	186,000	210,800	24,800	13.3%
DOUGLAS COUNTY HRA	885,000	890,000	5,000	0.6%
PEQUOT LAKES HRA	67,502	52,348	(15,154)	-22.4%
ANOKA COUNTY HRA	2,961,905	3,172,333	210,428	7.1%
KANDIYOHI COUNTY HRA	900,450	1,150,450	250,000	27.8%
GRANT COUNTY HRA	100,000	200,000	100,000	100.0%
STEVENS COUNTY HRA	344,024	489,000	144,976	42.1%
MOUNDS VIEW HRA	0	0	0	NA
SANDSTONE HRA	0	0	0	NA
CHISAGO COUNTY HRA-EDA	573,341	561,045	(12,296)	-2.1%
SHOREVIEW HRA	310,000	325,000	15,000	4.8%
RICE COUNTY HRA	232,467	232,467	0	0.0%
HUBBARD COUNTY HRA	120,000	120,000	0	0.0%
ALBERT LEA HRA	250,000	266,000	16,000	6.4%
ELY HRA	41,771	48,113	6,342	15.2%
HENNEPIN COUNTY HRA	17,908,995	22,186,537	4,277,542	23.9%
YELLOW MEDICINE COUNTY HRA	80,000	80,000	0	0.0%
CLAY COUNTY HRA	250,000	300,000	50,000	20.0%
LAKE COUNTY HRA	375,000	594,372	219,372	58.5%
WOODBURY HRA	0	250,000	250,000	NA
RAMSEY COUNTY HRA	12,819,564	13,584,665	765,101	6.0%
ROSEVILLE HRA	0	0	0	NA
POPE COUNTY HRA	480,000	520,000	40,000	8.3%
NORTH ST PAUL HRA	211,907	50,000	(161,907)	-76.4%
EAST BETHEL HRA	77,000	77,000	0	0.0%
PINE CITY HRA	46,000	61,428	15,428	33.5%
BAUDETTE HRA	16,400	18,507	2,107	12.8%
GOLDEN VALLEY HRA	288,880	319,181	30,301	10.5%
AURORA HRA	15,140	17,871	2,731	18.0%
BIG STONE COUNTY HRA	0	0	0	NA
COTTAGE GROVE HRA	0	137,500	137,500	NA