



COTTAGE GROVE CITY COUNCIL

12800 RAVINE PARKWAY SOUTH
COTTAGE GROVE, MINNESOTA 55016

June 7, 2023

**SPECIAL MEETING - 6:00 P.M.
TRAINING ROOM**

1 CALL TO ORDER

2 ROLL CALL

3 AGENDA ITEM

A Trellis Co. Workshop

Staff Recommendation: Receive report on revised project information from Trellis Co. and provide direction related to the proposed options provided by the City's Financial Consultants.

4 ADJOURNMENT



City Council Action Request

Meeting Date	6/7/2023	
Department	Administration	
Agenda Category	Agenda Item	
Title	Trellis Co. Workshop	
Staff Recommendation	Receive report on revised project information from Trellis Co. and provide direction related to the proposed options provided by the City's Financial Consultants.	
Budget Implication	N/A	
Attachments	Memo Workshop Trellis Co. Project.tif EHLERS	1.2MB
	Overview Memo - 5-31-23.tif	1.41MB
	Trellis Developer Narrative 6-7-23.tif	2.11MB
	230531-Trellis-Cottage Grove Affordable-Arch-Reduced.tif	5.48MB



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

FROM: Gretchen Larson, Economic Development Director

DATE: June 1, 2023

RE: Workshop – Development Project by Trellis Co.

Background

On April 20, 2022, Trellis Co. presented a preliminary plan for a proposed development at 7601 79th Street South. Trellis is looking to develop a 52-unit affordable senior housing project on the site that will provide units that are 30% and 60% of the area median income (AMI). Housing at these income levels provides an opportunity for deeply affordable senior housing, which currently is very limited in the city. As part of the proposed project financing, Trellis Co. requested a resolution of support from the city to consider assisting in the funding of the project with the use of tax increment financing (TIF). The City's support of the application process and willingness to consider TIF to fund affordable senior housing, is often seen as a positive in the funding awarding process. The City Council approved the request for TIF assistance at their April 20, 2022, council meeting contingent upon the final TIF analysis that would need to be completed as the project moved forward.

As of this report, the team at Trellis Co. has submitted their proposed site plan and other required documents to the planning department for review and presentation at the planning commission meeting on June 26. Also, as a part of the project, Trellis Co. will present a revised site plan, a revised TIF assistance request, and other information on the project for council consideration. Attached to this memorandum is a copy of the memo from the city's financial consultant team at Ehlers, which indicates a gap in funding of approximately \$175,000 which is significantly lower than the initial analysis and TIF request of \$450,000. The difference is primarily due to the other sources of funding secured by Trellis Co. via a rent subsidy program known as the Faircloth to Rental Assistance Demonstration program (RAD). The RAD program would restrict rents to deeply affordable and a matrix of the proposed rental rates is included in the memorandum from Ehlers.

The team at Ehlers also reported that legislation signed into law in 2023 lowers the property tax class rate from 0.75% on the 1st \$100,000 per unit value and 0.25% per unit value above \$100,000 split to a flat 0.25% on the overall per-unit market value. The result of this change: (i) increases the net operating income for the project which can support a higher mortgage amount; and (ii) reduces property taxes and TIF by approximately 50%. Under the new tax rates, this project is estimated to generate \$7,712 annually in city property taxes (\$27,700 in overall taxes), or \$148 per unit per year for city taxes.

Based on the review of the information currently available by the team at Ehlers, they concluded that the development would not reasonably be expected to proceed without \$175,000 of assistance. They have suggested that assistance could be in the form of TIF over 16 years or the City Council could consider a one-time lump sum cash grant, in lieu of creating a TIF district.

Recommendation

Receive report on revised project information from Trellis Co. and provide direction related to the proposed options provided by the City's Financial Consultants.

Attachments

Site Plan/Images/Trellis Project Summary
Memorandum from Ehlers and TIF Analysis

MEMORANDUM

TO: Gretchen Larson – Economic Development Director
 FROM: Schane Rudlang & Stacie Kvilvang – Ehlers
 DATE: May 31, 2023
 SUBJECT: Trellis Development - Analysis of Financial Request

The City of Cottage Grove received a financial assistance request from Trellis Co. (Developer) to construct a 52-unit senior affordable apartment consisting of studio and 1-bedroom units with units affordable to households at or below 30% and 60% of the area median income (AMI). The Developer requested \$450,000 in TIF assistance with a proposed construction start in 2024 and estimated cost of development at approximately \$15.86 million, or \$305,000 per unit.

Affordability

The mix of units, size of units, and affordability is shown in the table below.

Unit Type	Units	Rent	Sq Ft
Studio	5		
Affordable @ 30% AMI	5	\$439	503
1BR	47		
Affordable @ 30% AMI	31	\$422	669
Affordable @ 60% AMI	16	\$1,300	875
Total	52		

The project would utilize a rent subsidy program known as the Faircloth to Rental Assistance Demonstration program (RAD), which requires affordability levels below 30% of AMI; this is apparent when reviewing the maximum 2023 rents from HUD for 30% AMI units below with the Trellis/RAD rents above. The RAD program would restrict rents to those deeply affordable rents shown above.

HUD Maximum Gross Rents by Bedroom Size

	Studio	1	2	3	4	5	6
30%	652	699	838	969	1,080	1,192	1,304
60%	1,305	1,398	1,677	1,938	2,161	2,385	2,608

New Tax Rates for 4d(1) (aka affordable housing) Projects

Legislation signed into law in 2023 lowers the property tax class rate from a 0.75% on the 1st \$100,000 per unit value and 0.25% per unit value above \$100,000 split to a flat 0.25% on the overall per-unit market value. The result of this change: (i) increases the net operating income for the project which can support a higher mortgage amount; and (ii) reduces property taxes and TIF by approximately 50%. Under the new tax rates, this project is estimated to generate \$7,712 annually in city property taxes (\$27,700 in overall taxes), or \$148 per unit per year for city taxes.

Project Financials

Based upon our review, the requested TIF assistance is more than what is necessary for this project to become “financially feasible”. We’ve concluded that TIF assistance in an amount not to exceed \$175,000 over an anticipated term of 16-years is supported for this project. The subsidy could be in the form of cash (if available) instead of TIF to reduce the administrative expense of creating a TIF district. The tables below provide a summary of the sources and uses for the project based upon the reduced public assistance amount.

SOURCES			
	Amount	Pct.	Per Unit
First Mortgage	1,694,000	11%	32,577
TIF Supported Mortgage (or Cash)	175,000	1%	3,365
Washington Co. GROW Loan	750,000	5%	14,423
Tax Credits	4,880,560	31%	93,857
Deferred Developer Fee (32% of Total Fee)	502,594	3%	9,665
Local Grants	7,500,000	47%	144,231
Other Public Sources	220,416	1%	4,239
Private Sources	139,400	1%	2,681
TOTAL SOURCES	15,861,970	100%	305,038

USES			
	Amount	Pct.	Per Unit
Acquisition Costs	499,000	3%	9,596
Construction Costs	11,896,127	75%	228,772
Professional Services	753,808	5%	14,496
Financing Costs	895,866	6%	17,228
Developer Fee	1,550,000	10%	29,808
Cash Accounts/Escrows/Reserves	267,169	2%	5,138
TOTAL USES	15,861,970	100%	305,038

Ehlers reviewed the rental income, operating expenses, LIHTC syndication rate, management fees, developer fees, and other financial parameters. The project is challenged by increasing construction costs and interest rates, like many other projects. Construction costs for this project are \$324 per square foot (Total Development Cost over Gross Building Area), which are high. The project does not have units larger than 1-bedroom units which means that the ratio of expensive bathroom and kitchen features to the overall area of the units is high. The building does not have structured parking, which is also generally less expensive than finished space inside the building (especially kitchens and bathrooms). A lookback on construction costs after completion should be included in any subsidy development agreement. The lookback provision would reduce subsidy if the actual costs were lower.

Recommendation:

Based on our review of the information currently available, we’ve concluded that the development would not reasonably be expected to proceed without \$175,000 of assistance. The assistance could be in the form of TIF over 16 years or through an up-front cash grant (if available). The developer has agreed to this amount of assistance.

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

Cottage Grove Senior

Developer/Applicant's Statement

Trellis Co. Overview

Trellis Co. (formerly known as Community Housing Development Corporation, or CHDC) was founded in 1991 and is based in Minneapolis and has the mission of sustaining and creating equitable affordable housing opportunities that enhance communities over the long-term and create and maintain healthy living. Trellis owns and manages approximately 50 properties containing more than 4,000 units throughout Minnesota. Nearly all of Trellis's properties are affordable, and many are age-restricted/senior housing as is proposed with Cottage Grove Senior.

The Trellis business model relies on strong partnerships. And to that end it has a 30-year track record of success. It has a team-based approach and collaborative culture where it navigates the complex puzzle of affordable housing together with its partners.

Trellis benefits from having an in-house management company, Trellis Management, to provide property management services for Trellis properties, as well as other third-party fee management and compliance services. Trellis Management understands the unique circumstances facing many of the residents they serve and works to ensure stable, sustainable housing can be achieved. Trellis Management has a long history of collaboratively working with residents, neighbors, and the communities in which it serves to ensure the housing it provides is an asset to the community.

Project Overview

Cottage Grove Senior will be a new construction, senior/55+ project located at 7601 79th Street South on what is currently vacant lot. The project will include 52 units and approximately 43 parking stalls. The primary vehicular entrance is anticipated to be off 79th Street, with resident building access from the parking lot and potentially Hemingway Avenue. Additionally, the ground floor units facing Hemingway Avenue with large patio access.

Project amenities will include on-site management and resident service coordination, on-site laundry (common area laundry room), craft room with programming, storage lockers, on-site parking, and secure mail/package rooms. Unit amenities will include luxury vinyl plank flooring or similar, accessible units, dishwashers, and patios for select units.

The location is ideally situated for the planned project given its proximity to:

- Gateway North shopping center (grocery, restaurant, services, etc.)
- Park Grove Library
- Oakwood Park
- Located on the DARTS Cottage Grove Bus LOOP

The project will provide much-needed deeply affordable, senior housing in the community, with 69% (36 units) of the project units set at 30% of the area median income (AMI) rents and incomes and the remaining units set at 60% AMI. The demand for the proposed housing provided by the project will be

high due to a limited availability of senior/55+ housing options in the City of Cottage Grove and the deep affordability that will be offered by the project. These findings are supported by numerous housing studies completed for the area including the “Updated Comprehensive Housing Needs for Washington County” completed by Maxfield Research and Consulting for the Washington County CDA in March 2017. This study found the following:

- The vacancy rate for the 1,363 affordable senior properties in the County when they were last surveyed (February 2017) was just 0.6%, “indicating a substantial pent-up demand for these types of units.”
- At the time the report was written, Cottage Grove had just 150 units of senior affordable housing, with a vacancy rate of just 0.7%.
- The demand for general occupancy affordable was equally strong, with just 0.6% of the affordable units in the County vacant at the time of the survey.
- Since the report was prepared, an additional affordable senior property, the Legends of Cottage Grove, opened. While financed under the tax credit program, the unit sizes and rents offered at the Legends are significantly higher than are proposed at the project. As such, the delivery of the Legends does not impact the market for senior housing that will be served by the project.

The City of Cottage Grove also identified the need for more affordable housing in their community through their 2040 Comprehensive Plan. The Comprehensive Plan found the following:

- According to a Housing Forum hosted by the City in connection with the preparation of the Comprehensive Plan, 79% of respondents felt there was not enough senior housing available.
- The Comprehensive Plan has a stated goal of encouraging life-cycle housing in the community, including various types of senior housing. This is particularly true for locations in the City with access to services, amenities and transit as will be the case for the project.
- The need to construct senior housing is driven by demographic trends that were identified by the City, with 43% of City residents older than 40 years (as of 2014).
- The City shows that there are zero units set aside for people with disabilities in the City, indicating an enormous unmet demand for this housing type in the community, which the project will help to meet.

Anticipated Land Use Approvals

The project site is already zoned “Mixed Use,” which allows for the proposed use. Additional anticipated land use approvals include the following:

- Variance to allow for reduction in Class I materials from 65% to 50%.
- Variance to allow for reduced parking from 104 stalls (plus visitor stalls) to 43.
- Additional required approvals as may be identified by staff when a formal land use application is submitted.

The reduction in required Class I materials is requested to address high construction costs. The design team has proposed exterior materials and articulation that provide for all high quality, attractive and durable materials. Design elements including different articulations with varying depths on the building

elevations, masonry wainscot at the base of the building and varied materials with a cohesive color palette. The building exterior is designed to complement both the existing commercial and residential characteristics of the surrounding neighborhood. The flat roof and metal canopies are typical commercial buildings to the south, while the exterior material palette consisting of cultured stone with various fiber cement lap and panel sidings are consistent with the residential properties to the north of the project site and the new apartment building southwest of the site. Additionally, the large patio units along Hemingway Ave help activate the building at a pedestrian scale and reinforce the building's residential character.

The reduction in the required parking ratio is requested to better suit the actual, expected utilization of parking by project residents, staff, and guests. Trellis owns and manages several other senior/disabled properties and has found low parking utilization compared to the general occupancy housing it owns and operates. A sample of similar projects provided the following findings:

Property Name/City	Number of Units/ Population Served	Parking Data
<i>Cottage Grove Senior (Project)</i> <i>Cottage Grove, MN</i>	<i>52 units / senior</i>	<i>43 stalls.</i>
Franklin Lane Apartments Anoka, MN	66 units / senior	59 stalls. Approximately 25 residents have cars.
Woodland Court Park Rapids, MN	80 units / senior	43 stalls. Approximately 30 residents have cars.
Evergreen Apartments Hutchinson, MN	62 units / senior	62 stalls. Approximately 34 residents have cars.

The project will also benefit from having existing, on-street parking available for guests during peak times such as holidays and from regular route transit service provided by the DARTS Cottage Grove Bus Loop.

COTTAGE GROVE SENIOR AFFORDABLE

05/29/2023



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PROJECT TEAM

DEVELOPMENT

Trellis
614 North First Street, Suite 100
Minneapolis, MN 55401
(612) 332-6264

ARCHITECT

Kaas Wilson Architects
1301 American Blvd E, Suite 100
Bloomington, MN 55425
(612) 879-6000

CIVIL/LANDSCAPING

Civil Site Group
5000 Glenwood Avenue
Golden Valley, MN 55422
(612) 615-0060

GROSS AREA - TOTAL

Level	Area
Level 4	11,391 ft ²
Level 3	11,391 ft ²
Level 2	11,391 ft ²
Level 1	11,391 ft ²
Grand total	45,562 ft ²

PARKING

Type	Count
Accessible	2
Standard	41
	43

SITE METRICS

PARCEL ID: 0802721430008

ADDRESS: 7601 79th Street S.,
Cottage Grove, MN 55016

PARCEL AREA 38,249 SQ.FT. (0.88 ACRES)

ZONING AMENDMENT FOR PUD

APPLICATIONS SITE PLAN REVIEW

UNIT MIX - GROSS AREA

Name	Count	Unit Gross Area	Total Area	%
0 BR (Studio)				
Unit 0-0	5	503 ft ²	2,515 ft ²	10%
	5		2,515 ft ²	10%
1BR				
Unit 1-1	28	655 ft ²	18,332 ft ²	54%
Unit 1-2	16	710 ft ²	11,354 ft ²	31%
Unit 1-4	3	684 ft ²	2,052 ft ²	6%
Type A				
	47		31,738 ft ²	90%
Grand total	52		34,253 ft ²	100%

PLANNING METRICS

Zoning

Current: Mixed Use (MU)
Proposed: PUD

Height

Allowed: 50 Feet
Proposed: 4 Stories / 47' Feet

Setbacks

Allowed: 20' Front / 10' Rear / 20' Side
Proposed: 25' Front / 12' Rear / 20' Side

Vehicle Parking

Required: 84
Proposed: 43

11-6-13: ARCHITECTURE

(1) Office, commercial, and institutional structures must use at least three (3) different class 1 materials and be composed of at least sixty five percent (65%) class 1 materials and not more than ten percent (10%) of class 4 materials.

Class 1 (Cultured stone, Fired clay face brick, Glass)
Class 2 (Concrete Brick, Stucco, Colored CMU)
Class 3 (Metal Panel, Fiber Cement)
Class 4 (CMU, Steel siding, Wood)

EXTERIOR MATERIALS - TOTAL BUILDING

CLASS 1

STONE VENEER - 6,187 SF (28%)
GLAZING - 4,856 SF (22%)

CLASS 2

FIBER CEMENT SIDING - 11,274 SF (50%)



1 SD Site Plan
1/32" = 1'-0"

SITE PLAN KEY

- 1 BUILDING ENTRANCE
- 2 RESIDENT PATIO
- 3 UNIT PATIOS ALONG HEMINGWAY AVE
- 4 TRASH STAGING/PICK-UP
- 5 MONUMENT SIGN

UNIT MIX - GROSS AREA

Name	Count	Unit Gross Area	Total Area	%
0 BR (Studio)				
Unit 0-0	5	503 ft ²	2,515 ft ²	10%
	5		2,515 ft ²	10%
1BR				
Unit 1-1	28	655 ft ²	18,332 ft ²	54%
Unit 1-2	16	710 ft ²	11,354 ft ²	31%
Unit 1-4	3	684 ft ²	2,052 ft ²	6%
Type A				
	47		31,738 ft ²	90%
Grand total	52		34,253 ft ²	100%

GROSS AREA - TOTAL

Level	Area
Level 4	11,391 ft ²
Level 3	11,391 ft ²
Level 2	11,391 ft ²
Level 1	11,391 ft ²
Grand total	45,562 ft ²

PARKING

Type	Count
Accessible	2
Standard	41
	43



SITE PLAN

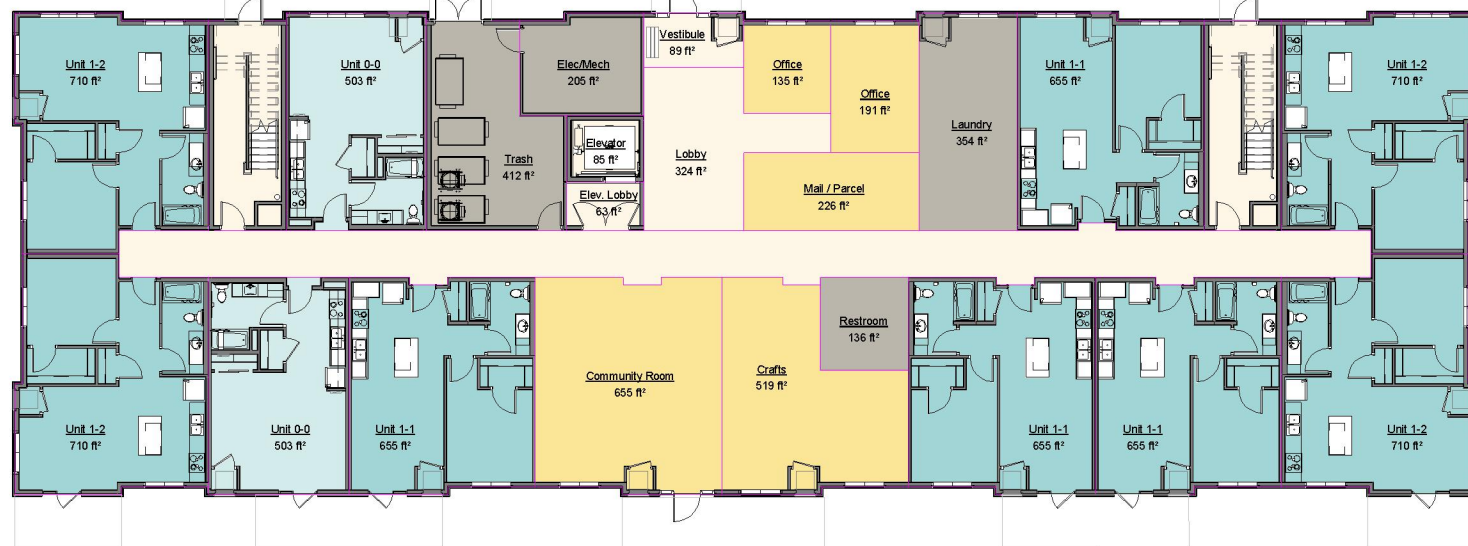
COTTAGE GROVE SENIOR AFFORDABLE

6.1
1

6.2
1

2
6.2

2
6.1



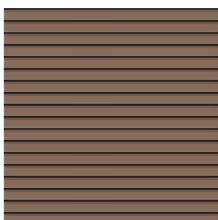


CONCEPTUAL RENDERING - NORTHEAST VIEW

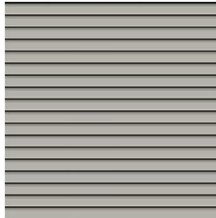


CONCEPTUAL RENDERING - NORTHWEST VIEW

EXTERIOR MATERIALS

Material Mark	Description	Image
4.1	Cultured Stone - Color: Jaffa Beige	
7.1	Fiber Cement Panel - Color: Canyon Brown	
7.2	Fiber Cement Panel - Color: Quarry Gray	
7.3	Fiber Cement Lap Siding - Color: Canyon Brown	

EXTERIOR MATERIALS

Material Mark	Description	Image
7.4	Fiber Cement Lap Siding - 5" Exposure - Color: Quarry Gray	
7.5	Fiber Cement Lap Siding - Alternating 4" & 8" Exposure - Color: Cavern Steel	
8.1	Glazing	

EXTERIOR MATERIALS - TOTAL BUILDING

CLASS 1

STONE VENEER - 6,187 SF (28%)

GLAZING - 4,856 SF (22%)

CLASS 2

FIBER CEMENT SIDING - 11,274 SF (50%)



EXTERIOR MATERIALS - EAST ELEVATION

CLASS 1
STONE VENEER - 2,040 SF (24%)
GLAZING - 1,896 SF (23%)

CLASS 2
FIBER CEMENT SIDING - 4,458 SF (53%)

① Elevation - East
1/16" = 1'-0"



EXTERIOR MATERIALS - WEST ELEVATION

CLASS 1
STONE VENEER - 2,169 SF (26%)
GLAZING - 1,996 SF (24%)

CLASS 2
FIBER CEMENT SIDING - 4,212 SF (50%)

② Elevation - West
1/16" = 1'-0"

EXTERIOR MATERIALS - NORTH ELEVATION

CLASS 1
STONE VENEER - 989 SF (36%)
GLAZING - 482 SF (17%)

CLASS 2
FIBER CEMENT SIDING - 1,302 SF (47%)



EXTERIOR MATERIALS - NORTH ELEVATION

CLASS 1
STONE VENEER - 989 SF (36%)
GLAZING - 482 SF (17%)

CLASS 2
FIBER CEMENT SIDING - 1,302 SF (47%)

