

CITY OF COTTAGE GROVE

ECONOMIC DEVELOPMENT AUTHORITY

MINUTES Economic Development Authority (EDA) Meeting January 9, 2024

Pursuant to due call and notice thereof, a meeting of the Economic Development Authority was held on the 9th day of January 2024, at 7:30 a.m.

1. CALL TO ORDER

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

2. ROLL CALL

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

EDA President Bailey announced to the Board that he had appointed Council Member Olsen as Vice President of the EDA and welcomed him. EDA Vice President stated he's happy to be here and thanked EDA President Bailey.

Members Present: Myron Bailey, EDA President
Justin Olsen, EDA Vice President
Chris Carey, EDA Member
Obed Jean-Baptiste, EDA Member
Dan Myers, EDA Member
Sandi Scott, EDA Member
Thomas Tschida, EDA Member

Members Absent: None.

Staff Present: Jennifer Levitt, City Administrator
Gretchen Larson, Economic Development Director
Emily Schmitz, Community Development Director
Alexa Anderson, Administration Specialist

Others Present: Schane Rudlang, Ehlers, Inc.
Travis Fauchald, Roers Companies

3. APPROVAL OF MINUTES

3.1 Approval of December 12, 2023 EDA Meeting Minutes

Mayor Bailey noted staff found an error in the December 12, 2023 EDA Meeting minutes. EDA Member Jean-Baptiste was listed as stating here during Roll Call, though he was not; his name

was also listed in the Members Absent section. The minutes were subsequently amended, but he wanted to note that before he asked for a motion and a second to approve the minutes.

EDA Vice President Olsen made a motion to approve the amended December 12, 2023 EDA Meeting Minutes. Motion was seconded by EDA Member Carey. Motion passed unanimously (7-to-0 vote).

4. BUSINESS ITEMS

4.1 Beige Book Report

Mayor Bailey stated there is no report today; Director Larson noted the Beige Book Report will be ready again in February.

4.2 Development Updates

O2B Kids: Foundation work has been completed and the framing has started.

Hemingway Retail Center: Work is nearing completion for the façade improvements, and next they'll move on to the interior; one tenant is Dunkin'/Baskin Robbins.

Dunkin'/Baskin Robbins: The trade work continues their buildout.

Hohenstein's: The exterior wall panels have been completed; construction of the roofing steel work is underway.

The View Apartments: A Temporary Certificate of Occupancy (CO) has been issued, with minor punch list items needing to be completed before the full CO will be issued.

Trellis (Bluestem Apartments): Plans are under review for the new affordable senior living apartment building to be located at 7601 79th Street South.

Norhart Apartments: Plans have been submitted for the new market-rate apartment building to be located at 10251 Hadley Avenue.

Tradehome Shoes: A Letter of Approval has been issued for the mezzanine and lower-level offices.

Cottage Grove Logistics Park: 7601 100th Street: Finishing work has begun for speculative office. In the adjacent building, 7701 100th Street, the office buildout is completed but waiting on electrical equipment to finish the project.

Director Larson stated she and Emily Schmitz, Community Development Director, would be happy to answer any questions about these projects.

EDA President Bailey stated maybe the only thing that wasn't brought up, that he had a question about at Starbucks this morning, was that Chase Bank is going into the empty spot next to Culver's. It seems to be the question of the day with the fencing going up there; that project was preapproved.

Director Larson stated they're also going to write an article about that, to give the public an update.

4.3 TIF District Plan and Establishment of TIF District No. 1-21 for Roers' Cottage Grove Apartments, LLC

Director Larson stated the City received a public financial assistance request from Roers Development, seeking Tax Increment Financing (TIF) for their proposed development at 6850 East Point Douglas Road. The Council received a project presentation in October. The Developer originally proposed to construct a 144-unit, mixed-income, multi-family apartment project with 20% of the units at 50% Area Median Income (AMI). During those discussions and based on the desire of the City to make this more affordable, Roers increased their affordability to include eight units at 60% AMI, along with some naturally affordable 70% AMI and 80% AMI units. The chart displayed on the screen shows you the mix of the apartments that are going to be available. As a result of the additional affordability, the team at Ehlers, our financial consultants, ran another analysis of the project. They concluded that TIF assistance for no more than 15 years, with a present value of \$1.96 million, was warranted. So, that's the background on the TIF itself.

Director Larson displayed on the screen, to the right, a view of the actual site. The proposed TIF plan modifies the Development Program of Development District No. 1 of the City and establishes TIF District 1-21. To complete the establishment of the TIF District, the EDA requests the City Council hold a public hearing on the proposed modification to the Development Program for Development District No. 1 and the proposed establishment of Tax Increment Financing District No. 1-21, at their January 17, 2024 City Council meeting. If approved, that will complete the process.

Right now, the EDA is still considering creation of the District, which gives you authorization to use tax increments to pay qualified costs, identified collectively in the TIF Plan as qualified costs. Qualified costs include site improvements and preparation, public utilities, other qualifying improvements, interest, and administrative costs.

Resolution 2024-02 authorizes creation of an Interfund Loan for up to \$25,000 from the EDA Fund, to be transferred to its TIF Fund, to pay for a portion of the qualified costs. As TIF is generated and received, the EDA Fund is repaid, and the Interfund Loan is retired. The Interfund Loan is required so that the EDA is made whole from future TIF payments for the project itself.

A Contract for Private Development is the formal contract between the EDA and Roers Cottage Grove Apartments, LLC. The contract defines the terms, agreements, improvements, and restrictions that must be made by Roers to receive TIF payments. The agreement includes a lookback provision to ensure assistance was right-sized.

A separate agreement for the sale of Outlot A to the developer for \$28,000 will be considered as the project continues to move forward. Outlots C and D, which are City-owned stormwater ponds, are proposed to be deeded to the developer as a part of the project.

Director Larson noted there are three recommendations before you, and they could all be combined into one motion if you so choose.

She noted Schane Rudlang, from Ehlers, is here if you have questions about the TIF Agreement, and Travis Fauchald, representing Roers, is also here.

EDA President Bailey asked if anyone had questions for staff at this point.

EDA Vice President Olsen said Director Larson had indicated on a slide that there's a lookback provision to ensure that the assistance is the right size, and he knows that's a common thing.

For those watching at home, he asked if a staff member could explain that; Director Larson replied we'll have Schane, from Ehlers, give that explanation.

Schane Rudlang stated that's a great question. So, we have a lookback in the Development Agreement for this project which, as you said, is typical for most of the communities that we work with. Lookbacks come in a lot of different flavors, and in this one, we have three lookbacks:

- 1) There's a lookback at the time construction is complete, to make sure that the construction costs are in line with how we did the analysis for public assistance. If the construction cost comes in cheaper, which hasn't been happening much lately, then the assistance would be downsized to accommodate that savings.
- 2) The second is a lookback at stabilization. So, when they're leased up, their first leases are signed, they're over 90% occupied, we take a look at the performance of the project. So, how it's going to do over time, and then we do another right-size calculation to make sure that the TIF assistance wasn't provided in excess of what was needed to get the project done.
- 3) The last lookback comes into play if the project is sold. So, there's a "For Sale" provision in there as well; sometimes that happens and sometimes it doesn't, because sometimes developers and owners hold projects. So, that's a lookback on the sale, we'll say if they did really well on the sale, then some of the TIF assistance is shaved off. If they didn't do well on the sale, then the assistance was necessary. Maybe more assistance was needed, but it's not adjusted up in that situation.

Council Member Olsen stated so, it's fair to say that these lookback provisions provide a degree of security to the EDA and/or the City relative to how much assistance the project may be qualified for, based on their performance, etc. It ensures that we're really protecting the public trust in a few different ways, as we have three different lookbacks: To ensure that the TIF isn't too big for the project, if the project is going to come in under budget, maybe uncommon, but it's happened, and less TIF assistance would be required. He asked if that was accurate, and Schane replied that yes, it was. Council Member Olsen thanked Schane for the explanation.

EDA Member Tschida asked if we'd done a study on how many apartments Cottage Grove can sustain, as it seems we've been building a lot of them recently. EDA President Bailey stated the answer is yes, and he's not sure who would like to give more information on that.

City Administrator Jennifer Levitt stated that's a great question. Obviously, we have a lot of demand in the market, and she'd probably ask Roers to speak to the marketability in their analysis. Also, at the City's Strategic Plan meeting on Saturday, they also authorized staff to proceed with a Housing Study to specifically look at the market and what gaps or trends we're seeing in it to ensure sustainability. She asked the Applicant to talk about their analysis, related to their project, and what they see as viable in the marketplace today.

Travis Fauchald, Roers Companies, stated it's a great question. As EDA Member Tschida mentioned, there's a lot of multifamily being built in the City of Cottage Grove, elsewhere in the Twin Cities, and nationwide. He stated they're not concerned with the supply that's coming online due to the affordability of the units here. We have 20% of our units set aside at 50% AMI and several units at 60% AMI, with the remainder of units being intentionally below market-rate rents. So, we feel by offering a market-rate quality unit at a lesser price, there shouldn't be

concerns with leasing. We believe that other tenants/residents in other communities would want to live here for a lesser price. We want to do that to incentivize people to move into our projects and for them to remain full. Another thing we do is we rely on a lot of third-party reports, nomadic market studies and local market studies, to make sure that we're putting projects in the right places with demand. We found, similar to the housing study, that there is a lot of pent-up demand that still exists. We're long-term owners and operators, and our property management company will be the ones that will be managing this property. So, that's kind of the homework and the background for our rationale to make this investment here.

EDA Member Tschida stated his only other question is a technical one. You're planning on using 57% Class 1 and 2 materials and then 53% Class 3 materials; that's 110%.

Travis replied yes, he would have to check with the architects and make sure that we have those numbers correct before our City Council meeting, but our intent is to use a lot of Class 1 materials, a lot of glass and stone. We'll have to revisit those percentages.

EDA Member Tschida stated fair enough, that just didn't make any sense.

Travis stated we figured the more Class 1 materials, the better; it's understood we can't go more than 100%.

EDA Member Scott had a question about traffic. She knows there's a lot of traffic in that area, and it was addressed in our packet. But, again, for people watching, there's a lot of traffic in that area, and she asked if we think that the traffic management there is enough to be able to handle that number of cars. She believes there are 144 units in that building.

Administrator Levitt replied that's a great question, it's one that's always asked when we see increased development in those kinds of lots. She knows the Planning Commission got a more-detailed analysis with the engineers talking about the traffic. When you look at that local street, the fact is that the street itself that it feeds onto can support those 144 units. Even if you assume five trips per day from each of them, which would be equivalent to a single-family residential property, if you get out onto Hardwood, Hardwood has average daily traffic that can support over 15,000 cars a day, and we haven't hit that. The engineers will tell you, though, that we are closely monitoring the Hardwood Court intersection on Hardwood. As we see, and as EDA President Bailey mentioned, Chase Bank will be feeding into that. If we have any congestion or backups related to that traffic signal, she'll also say that we'll see an improvement at Hardwood and 80th in 2026, as we make improvements to 80th Street and the lane configuration there. So, given all of those improvements, we don't anticipate that this project would cause any negative traffic impact at this time.

Recommendation, by motion:

A) Adopt Resolution 2024-01 approving a modification to the Development Program for Development District No. 1 and adopting a Tax Increment Financing Plan for Tax Increment Financing District No. 1-21 (Roers). B) Approve Resolution 2024-02 authorizing an Interfund Loan for the advance of certain costs in connection with Tax Increment Financing District No. 1-21 (Roers). C) Authorize the contract for private development by and between the Cottage Grove Economic Development Authority and Roers Cottage Grove Apartments, LLC, substantially in the form attached.

EDA Vice President Olsen made a motion that we Adopt Resolution 2024-01 approving a modification to the Development Program for Development District No. 1 and adopting a Tax Increment Financing Plan for Tax Increment Financing District No. 1-21 (Roers); in

addition, he made a motion to Approve Resolution 2024-02 authorizing an Interfund Loan for the advance of certain costs in connection with Tax Increment Financing District No. 1-21 (Roers); finally, he made a motion to authorize the Contract for Private Development by and between the Cottage Grove Economic Development Authority and Roers Cottage Grove Apartments, LLC, substantially in the form attached. Motion was seconded by EDA Member Jean-Baptiste. Motion passed (6-to-1 vote); nay vote by EDA Member Tschida.

4.4 Dowdle Art Program

Director Larson stated we have some updates since our last meeting; we had a City Council Workshop on January 3, 2024, and the list of 20 unique people and 50 places and things to include in the painting was presented to the Council for consideration. The Council reviewed and finalized the list.

Next Steps: Staff is working with the departments to gather photos of the people/places/things for use by the Dowdle team. Our GIS technician will create a map that will notate all the places and things to help the Dowdle team visualize how these elements might work together. We are also gathering historical information about the people/places/things that may no longer exist, like the Cottage View Drive-In, but are important to tell the story of the City as it is translated into the painting.

Two days later, January 5, the staff met with the Dowdle team and provided them with a list of people, places, and things to be included in the painting.

We have confirmed that the artist, Eric Dowdle, will visit Cottage Grove from January 16-18:

- January 16: Select visits (Hope Glen, Ice Arena, Shepard Farm)
- January 17: Tour of the City with key staff mid-morning
- January 18: Eric to meet with the Council, Boards and Commissions, staff, and other people who are proposed to be in the painting, at a breakfast meeting from 8:00 a.m. to 10:00 a.m. at River Oaks; so, Eric will be able to hear from all of you about the painting, the City, why we're unique, special, interesting, fun, and he really enjoys doing that.

In between all of this, Eric will do a little bit of going around the City on his own, talking to people, just walking around, thinking about things.

Staff will meet the week of January 15 to discuss the marketing plan and a point-of-sale system to assist in selling the puzzles, for the cost-recovery portion of that. We will continue to provide updates and report back to you on milestones as we work towards the unveiling event, slated for June 13 at River Oaks. Director Larson stated she'd be happy to answer any questions, but noted things are moving along quite rapidly.

EDA President Bailey stated the Council met at the workshop last week to try to pare down who and what was going to be in the painting, what things we want to highlight, but, of course, Eric will be the one to put it all together and share it with us. EDA President Bailey encouraged the EDA Members if they had thoughts and wanted to share ideas, they should plan to attend

the breakfast meeting at River Oaks. You can then hear and see what he does, and it will be fun to kind of see this come to life in a puzzle highlighting what Cottage Grove has to offer.

EDA Member Tschida stated looking at the list of people, he can't help but notice that six of the first seven on the list are current elected officials. He doesn't want the impression that this is a City-funded reelection piece. He knows two of you are sitting here, so he doesn't want you to feel he's attacking you, but he was hoping that's not what this would be when we approved it last month. He was hoping it would be more of a look into our past and our history and who we are. So, he guesses that's not something he's thrilled about.

Administrator Levitt stated obviously that was a lengthy conversation that we had with the Council. One of the questions that they asked us, as staff, was to give them feedback from what other cities had done across the country. What we'd noticed as a trend was that the current Council was present. We also noted in that workshop session that the decision to include themselves was one of the very last items that they considered. There is the thought of the historical people vs. the historical place; for example, if we choose the Cedarhurst Mansion as the place, do you also have the people associated with it, or do you provide more diversity. So, the thought process was if we're identifying the historical place, and we could tell the story and the people behind the place, we would not add the people, so that you could have more diversity of people and places that represented Cottage Grove. So, that was the direction in regard to that. You'll see more of like the Historic Furber Farm, and so then you wouldn't necessarily have the people associated with the Furber Farm because the farm is represented. So, that was the thought process behind it, similar to how we talk about our agricultural heritage, if the farm is represented vs. the people. So, those were the thought processes between how we tried to maximize telling our story in the places and the people.

EDA Vice President Olsen stated he thinks it's a relevant topic of conversation because he also brought that forth in the Workshop. He wasn't so sure that having the four faces of the current City Council in the puzzle was necessary, although he advocated for having Mayor Bailey absolutely be part of it. One of the reasons for that is Mayor Bailey is currently tied with former Mayor Sandy Shiely for the longest-serving mayor in the history of our City, which has dramatic historical significance; should Mayor Bailey choose to run again this year, which he hopes he does, and is successful, he will be the longest-serving mayor in the history of Cottage Grove. So, he thinks it absolutely makes sense to have Mayor Bailey be part of the puzzle. In terms of the City Council members, when he brought that up in the meeting and said, boy, I just don't know, the response Administrator Levitt just gave you is exactly what staff gave, that's been sort of a common thing. It's similar to if you walk into a building, like this one, and you see the nameplate on the side with the name of the Mayor and the Council Members, who ratified the agreement to build this building; it also indicates when the building was built, etc. So, there's this push and pull between historical significance, which certainly can be modern history, because several of the items that we chose are from our past and several are from our present; this puzzle will last for perpetuity, it's not going to be something that we just have for a year, we're going to have the rights to it forever. So, there may be some more dialogue to have on that, potentially, but he thinks for the most part, that turkey is cooked. When Eric comes to town, we can certainly also ask for his opinion on that. There are several people, who are currently part of the Council, who've been there for quite some time. So, it might also be a worthwhile conversation to have about the historical significance of that, but he thinks that the issue itself is a tough one; that's why he brought it up in the Workshop for discussion. He tends to lean toward trusting the staff recommendation, for the most part for

whatever we do, and we're always asking questions and trying to get to the bottom of why. But if there's a reasonable or logical rationale, that is generally the way that he leans, but he wanted to acknowledge that it was a fair question.

EDA President Bailey asked EDA Member Tschida if he wanted to add anything to that. EDA Member Tschida replied no, he understands what your arguments are, he just doesn't love it. EDA President Bailey stated that's fine; as EDA Vice President Olsen just said, he wasn't advocating for himself, personally. EDA Vice President Olsen confirmed that he was the one who had advocated for Mayor Bailey in that Workshop.

EDA President Bailey stated should all the names eventually come to fruition, we included three of the five current royalty for the Ambassadors of Cottage Grove; there's also a limit on how many people and things that we can have. Secondly, we looked at the size of the people on the puzzle (the names are going to be on the back of it or on the ledger), and he doubts that you're going to say, oh, there's Mayor Bailey, or anybody else on there. We also included former County Commissioner, Myra Peterson, who served for a very long time, as well as our current County Commissioner, Karla Bigham, as she previously served on the Council, as a State Senator, etc. We decided there were certain people who were also born and raised in Cottage Grove, etc., similar to himself. So, we debated quite a bit about the people we chose to be on there.

4.5 Business Retention and Expansion Program - Draft Plan

Director Larson stated the Business Retention and Expansion Program (BR&E) is to retain existing businesses and help businesses expand within our community. The first official BR&E was started in 2017, in partnership with the University of Minnesota.

After the original study in 2017 was concluded, the Economic Development team continued with the program by creating work plans and priorities for the years 2018-2021. Even with the COVID crisis, which caused enormous interruptions in workflows, the team still managed to keep the program moving forward by doing surveys and those types of things.

In 2022 and 2023, changes in staffing and other projects delayed the official BR&E program visits and annual review. Now that the numerous staffing changes have been resolved, it is time to resume the BR&E work in 2024. Staff proposes to review the current program with the Board, what's been done in the past and what we think should be done going forward, in a workshop setting at the February 13 meeting.

Director Larson stated this is a report only. We encourage you to read your packet in detail about the Draft Plan that's in there. We'll give you a lot of historical information at the next meeting so that you can see how you would fit into that plan, if you also decided to go on the visits with us. It's really all about matching people with the visits. She stated she'd be happy to answer any questions.

EDA President Bailey stated we've been doing this for a while now. As the EDA wants to bring new businesses to town, we also want to make sure that the existing businesses are being sustained; we at least need to know what needs they have so that we can try to address those.

Director Larson stated yes, we want to hear from all of you at that workshop.

5 PUBLIC HEARINGS - None.

OTHER BUSINESS

6.1 EDA Calendar

EDA President Bailey stated each of you has the EDA Calendar.

6.2 EDA Comments

EDA President Bailey noted he discussed with staff that, from a term standpoint, we would have two outgoing Board Members; however, due to term changes made due to COVID, they will stay on the Board for this next year and thanked them for continuing to stay on the Board.

6.3 Response to Previous EDA Comments - None.

7 WORKSHOP - None.

8 ADJOURNMENT

EDA Vice President Olsen made a motion to adjourn. Motion was seconded by EDA Member Scott. Motion passed unanimously (7-to-0 vote). The meeting was adjourned at 8:04 a.m.

Respectfully submitted,

Gretchen Larson, Economic Development Director

/jag