



MINUTES

December 3, 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 3rd day of December, 2024, at 6:00 p.m.

1. CALL TO ORDER

The meeting was called to order at 6:00 p.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-Here; EDA Member Carey-Absent; EDA Member Jean-Baptiste-Here; EDA Member Myers-Absent; EDA Member Scott-Here; EDA Member Tschida-Here.

Members Absent: EDA Member Carey
 EDA Member Myers

Staff Present: Jennifer Levitt, City Administrator
 Gretchen Larson, Economic Development Director
 Brenda Malinowski, Finance Director

Others Present: None.

4. APPROVAL OF MINUTES

A. Approve the November 12, 2024 EDA Meeting Minutes.

EDA Vice President Olsen made a motion to approve the November 12, 2024 EDA Meeting Minutes. Motion was seconded by EDA Member Tschida. Motion passed unanimously (5-to-0 vote).

5. BUSINESS ITEMS - None.

6. PUBLIC HEARINGS

A. Adopting Final HRA Tax Levy

EDA President Bailey stated our Finance Director, Brenda Malinowski, is going to take us through this item this evening, and he welcomed her.

Director Malinowski stated I'm going to do a short presentation before you hold your Public Hearing regarding the Housing and Redevelopment (HRA) Levy for the City of Cottage Grove, and then you will adopt a resolution to approve that levy. Just a reminder that the EDA here in Cottage Grove has both an EDA and HRA authority; so, what that means is that your structure allows for property tax levies for both EDA activities and HRA activities. An EDA Levy, which we've utilized in the past, can be used for those traditional economic development activities. An HRA Levy can be used for housing and redevelopment; so, as our community starts to age, we can utilize that for those affordable housing and redevelopment activities.

In 2024, the current year, we have an EDA Levy in the amount of \$275,000; we use that for economic development activities and some redevelopment activities. Statutorily, by the State, the amount that we can levy is based on our Taxable Value; for 2025, we can levy for EDA activities about \$1.1 million dollars, so our \$275,000 is well below that limit. The EDA Levy is included on a property tax bill that comes from Washington County, on the same line as the City of Cottage Grove. For our residents and our businesses, they receive a property tax bill from Washington County and it has a line for each taxing jurisdiction within the County. So, there's a

Economic Development Authority - Minutes

December 3, 2024

Page 2 of 3

line that says Washington County, and that's the amount of County property taxes that are being levied. The School District has a separate line, and then the City has another line. Our EDA Levy is on that line that's called City of Cottage Grove.

What we are recommending for 2025 is that we take the \$275,000 that we are levying in 2024 and that we create two separate levies: The first levy will be the EDA Levy, and then the second portion, \$137,500, will be utilized for the HRA Levy. That HRA Levy is more transparent for our property taxpayers because it's a separate line item on the property tax bill, it will say Cottage Grove HRA. So, there's a little more transparency as we start to do those redevelopment and housing-type activities, currently and in the future. An HRA Levy is also subject to limits set by the State; for 2025, it's about \$1.178 million that we could utilize for the HRA Levy. So, this \$137,500 that we're recommending is well below those limits.

Here on the screen are allowable uses of the HRA Levy, that was also included in your packet; so, it's those Housing and Redevelopment activities. For 2025, we have a budget that's included in the packet. What we're recommending is that we utilize that HRA Levy in 2025 to pay for staff salaries; we'll move a portion of staff salaries, that are currently budgeted in the EDA Fund, we'll move those over to the HRA Fund as we'll set up a new fund. Then about \$25,000 for Professional Services for Housing and Redevelopment type activities for Cottage Grove.

Included in the packet also were other cities and counties in the State that currently have HRA Levies; on this slide here that is in front of you are levies in the metro area for cities that have those HRA Levies. We have a new levy, so we were at the bottom of the list with that \$137,500.

Brenda said with that, I'm happy to answer any questions that you have before you hold the Public Hearing.

EDA President Bailey thanked Brenda and asked the EDA Members if they had any questions at this point on this.

EDA Member Tschida asked how did we arrive at that 50-50 split for EDA and HRA?

Director Malinowski replied we looked at half of the salaries that are in the EDA budget, and we moved a portion of those staff time over, and so it was a way to start utilizing those funds, that are currently the EDA funds, over for that HRA as we determine those costs that we need in the future for those Housing and Redevelopment activities.

EDA Member Tschida asked so, I guess, is there something more they can work on now that they're under the HRA umbrella, as opposed to the EDA? Are they going to be specifically working on more housing policy vs. the EDA? I guess, how are we arriving at who's going where?

Director Malinowski replied right, and we haven't looked at our staff members, we looked at City budgets each year; some staff members they may be budgeted in the General Fund, but they might be doing EDA activities and vice versa. So, we haven't looked at specific staff salaries that will be doing that, but as a reminder, we have that Housing Study that's coming back here early in 2025; so, there would be staff time as we work through that Housing Study for that affordable housing component. So, I would think that the Community Development Director, the EDA Director, the City Administrator, those would be some of those staff salaries that would be utilized in that HRA Levy.

EDA Member Tschida said fair enough, I think that's all I have for now.

EDA Member Jean-Baptiste said so, previously, they were under both the EDA and the HRA, and I believe that, and correct me if I'm wrong, but I believe that you had mentioned the maximum levy for the EDA had been like \$1.7 million, or something along those lines. But now that they're split into two, do they each have a maximum levy of \$1 million, so the total that they could raise together now becomes over \$2 million?

Director Malinowski replied that is true. When we did a 10-year Financial Management Plan (FMP) for the City just recently, in 2023, there wasn't the thought that we would be levying that amount of money, but yes, they do both have a separate authority to levy up to those amounts.

EDA Member Jean-Baptiste said got it, thank you.

EDA Member Tschida said I guess on the levy question, does a levy increase to either the EDA or the HRA come to the EDA itself, or is that just a City Council question?

Director Malinowski replied that's a good question. The HRA Levy would come in front of the EDA; an EDA Levy is set by the City Council.

EDA Member Tschida said, okay, thank you.

EDA President Bailey said one of the interesting things, as I think that brings up a good point, our intent has not been, at least not that I can see in the foreseeable future, that we would levy to the max. The whole idea here I think is it's a little bit more on the transparency side as we go forward. So, when you talk about the half and the half, eventually do I believe, I mean, that our recommendation at some point would be that the HRA, if you will, would take 100% as it relates to the amount of money that currently is being split between our General Fund and then the HRA. As a matter of fact, this year, with the budget that I believe

we'll be approving tomorrow night, the normal \$275,000, we just cut that in half; so, we didn't raise the levy higher for the general taxes in Cottage Grove, we didn't take above \$275,000, we kept it half and half. Do you know what I'm saying? We're not raising this amount and then raising this amount, it's flush. I know that sounds really weird for maybe the general public, who might be watching; so, if people are asking, hey, what are you doing with the EDA money or the HRA money, which is under the EDA, this is what it is. One of the challenges, if you saw a lot of the cities out there, one of the big things is that we do get redevelopment opportunities that come to our City; and yes, we do have some money in our EDA Trust Fund, but the reality is that it's limited. And if we can build up some revenue in this particular fund, then when these bigger projects come by, whether it's a redevelopment for housing or whatever, we can actually utilize a bigger pot of money. I believe if I heard right, and maybe I'll look at Jennifer and see if she remembers, I think the levy for Woodbury has what, \$2 million in theirs. Do you remember, by chance?

Director Malinowski replied that's the last number I heard.

EDA President Bailey said, so, Woodbury has an HRA Levy of about \$2 million that they're kind of sitting there right now, waiting for some other developer to come through where they can put some of that additional money towards a project for affordable housing in Woodbury. I'm just using them as an example because I remember seeing that out in the news.

EDA President Bailey said I know there's nobody in the audience, but to be official, EDA President Bailey opened the Public Hearing to see if anybody wants to speak. As there is nobody in the audience, EDA President Bailey closed the Public Hearing.

EDA President Bailey told the EDA Members before you is a recommendation from our staff on this proposal, and we would need to make a motion and a second to go forward.

EDA Member Scott made a motion to Approve Resolution 2024-13 authorizing a Final 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 the proposed 2025 budget on file with the City. Motion was seconded by EDA Member Jean-Baptiste.

EDA President Bailey asked if there was any further discussion.

EDA Member Tschida said I'm sure I'll be the only one who votes no on this, but I'll state my concerns publicly. I'm concerned that we're going to come back next year and we're going to double this \$137,000, and we're going to pass it right now because it's not an increase; but next year it'll be twice what it is, and the following year it'll be twice what it is, and it's going to snowball and snowball and snowball. I don't know, it's not something I'm interested in.

Motion passed (4-to-1 vote, nay vote by EDA Member Tschida).

7. OTHER BUSINESS - None.

8. WORKSHOP - None.

9. ADJOURNMENT

EDA Vice President Olsen made a motion to adjourn. Motion was seconded by EDA Member Scott. Motion passed unanimously (4-to-1 vote, nay vote by EDA Member Tschida). The meeting was adjourned at 6:15 p.m.

Respectfully submitted,

Gretchen Larson
Economic Development Director

/jag