



The Lake Elmo Economic Development Authority (EDA) is committed to preserving and enhancing our community by creating an attractive business climate and listening to businesses and residents to prepare for the economy of tomorrow.

NOTICE OF MEETING

City of Lake Elmo Economic Development Authority Meeting

**3800 Laverne Avenue North
Tuesday, August 16, 2022 6:00 PM**

AGENDA

- | | |
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| A. Call to Order | 6:00 p.m. |
| B. Minutes
May 17, 2022 Minutes | 6:00p.m. |
| C. Business Retention and Expansion Survey Updates | 6:10 p.m. |
| D. Consultant RFP Criteria/Scope Discussion | 6:30 p.m. |
| E. Future Agenda Items/Reports
-Next Meeting Nov 15th
-Flagship Recreation Ribbon Cutting Sept 27th | 6:50 p.m. |
| F. Adjourn | 6:55 p.m. |

**CITY OF LAKE ELMO
ECONOMIC DEVELOPMENT AUTHORITY MINUTES
May 17, 2022**

Call to Order/Roll Call

Mayor Cadenhead called the meeting to order at 6:06pm.

PRESENT: Jeff Holtz, Charles Cadenhead, Ninna Waldoch and Tony Manzara. Paul Ryberg arrived at 6:24pm.

ABSENT: Linda Larson,

Staff Present: City Administrator Handt

Election of Officers:

Motion by Cadenhead, seconded by Manzara to nominate Paul Ruberg as President. Motion carried. Motion by Manzara, seconded by Cadenhead to nominate Tony Manzara as Vice President. Motion carried.

Motion by Cadenhead, seconded by Waldoch to nominate Ninna Waldoch as Assistant Treasurer. Motion carried.

Motion by Cadenhead, seconded by Holtz to have City staff (Kristina Handt) serve as Secretary and Treasurer. Motion carried.

October 28, 2021 and February 15, 2022 Minutes:

Minutes were accepted as presented.

Business Retention and Expansion (BRE) Survey Updates

Some members have not yet begun contacting businesses but they have identified those they will contact. Waldoch and Manzara met with a number of businesses. Folks working in offices without the need to expand seemed happy with city services. Others who have land and need changes or expansions commented they have challenges with the city process for things like CUP, IUP, etc.

Manzara offered to manage the list of business contacts and will send out regular updates noting who contacted which business and if they have completed the visit/survey.

Paul Ryberg joined the meeting.

2023 Budget Requests

Handt gave an update that Washington County CDA will be completing regional labor market studies and Lake Elmo will fall within the one between TH 36 and I-94. There is no local contribution required to participate.

The commission discussed whether additional staff was needed or if a consultant could fill the needs. Items that a consultant might cover if hired would be staffing the EDA meetings, community development and promoting activities within the city. Estimated costs for 40 hours a month was \$85-95,000 annually. The commission asked that Chris Eng be invited to their next meeting to help them identify what tasks a consultant could help with and what should be included in a Request for Proposals for such work.

Solar Farm on City Landfill Property

Manzara provided updates in the packet about the folks he had talked to. He would like permission to bring folks to the site to make sure it would work from a technical perspective and mentioned he may need to talk to the city attorney. It was mentioned that Anderson windows is looking for a solar project to obtain carbon credits. Ryberg mentioned he would reach out to the U of M about carbon sequestration.

Future Agenda/Reports

The next meeting will be Tuesday, August 16th at 6pm. Agenda topics will include a discussion on what they want in a consultant and an invitation will be extended to Chris Eng for this. Commissioners will also provide BRE updates.

Adjourn

Meeting adjourned at 6:50 P.M.

Respectfully Submitted,
Kristina Handt



STAFF REPORT

DATE: August 16, 2022

REGULAR

AGENDA ITEM: Business Retention and Expansion Survey Updates

SUBMITTED BY: Kristina Handt, City Administrator

BACKGROUND:

Conducting a Business Retention and Expansion Survey (BRE), has been identified as the top goal for the EDA for 2022. Earlier this year, the EDA finalized the survey questions and decided to begin by meeting with businesses in the Old Village area.

ISSUE BEFORE COMMITTEE:

What feedback do members have from their business visits? Next steps?

PROPOSAL DETAILS/ANALYSIS:

Over the last two quarters BRE visits have been completed at 10 businesses. A summary of their responses is attached to this report.

RECOMMENDATIONS:

No action required at meeting unless you see something you think the EDA should address.

ATTACHMENT:

- None

1. Tell Us About Your Primary Products and Services

Food

Full service beauty salon

This business is a very seasonal enterprise that sells Christmas trees and related decorations, and provides a "Farm Experience". A minor part of the business provides backdrops for photography. The background effort and expense to plant, cultivate, shape and harvest the trees is distributed through other times of the year, but essentially all the income comes in between Thanksgiving and Christmas

This restaurant provides sit-down meals and take out meals including via a drive - through window. On-line orders are accepted.

It experienced a major change in business during the COVID pandemic, their drive-through which was installed 12 years ago became the only possible venue for sales during the State's shut-down of dine-in restaurant business. Sales volume went from 30% drive-thru to 100% drive through with many layoffs of serving staff.

The main activities are Day Care, Boarding, Training and and Grooming of mostly dogs. The business is doing well, they are at or near capacity. Main competition is in Woodbury and Oakdale. At one time this was also a veterinarian location with the previous owner, but no longer. There are typically 70 dogs in for day care, and another 20 for boarding. There is a thriving dog training business too.

This business is a law firm that does estate planning, mediation, real estate closings, and real estate title work.

They have two divisions, one designs, builds and installs commercial recreation equipment such as playgrounds, splash pads, etc. in Minnesota. Customers are mostly municipalities and school districts. The other group is a supplier of portable temporary fencing on a global basis.

This insurance agency has been in Lake Elmo for a long time. Their customers are about 50% individuals and 50% commercial.

Provide Physical Therapy, yoga and other wellness activities, are a stand-alone business, not a franchisee

2. How many Employees currently work at this location?

2FT

None-retail stations, not employees

3 full-time employees and from 0-40 seasonal employees

3 full-time and about 27 part-time employees currently

14 full-time employees, 6 part-time, and they are hoping to have 5 more seasonal summer employees

12 full time employees including 6 attorneys and supporting staff.

13 employees, all FT, designers and salespeople. One each of the sales people live in a northern Minnesota city (?) and Owatonna and cover the north and south parts of the State.

five full-time and one part-time employees

Two full time employees

3. Is your business currently considering (select options):

Expanding at this location with more food items

The business operates under an Interim Use Permit and is somewhat limited by this situation. A parking lot expansion was made to accommodate a safer traffic flow, this resolution has worked well. There is not a business expansion plan at this time, and the business may have to downsize eventually. It seems restrictive that a business which operates at retail for only one month a year is treated the same as an all-season business with respect to such items as traffic flow limitation

No expansion plans at this time, they have 200 seats including outdoor area, plus drive through. Their food service niche is middle of the road, tends to be stable during economic cycles, while high-end and low-end food service businesses get more fluctuation. There are about five acres of cleared land available on the property. Have had the business here since about 1980 and they have done six expansions during that time. The zoning is Old Village Mixed Use but just to the west is zoned differently.

They would like to expand at this location and double the business, but have issues as listed in section 4.

The firm's business has seen recent expansion in the estate planning area due to COVID-related anxiety, and expansion in the real estate area due to increased activity in local housing development. Building space and staff time are fully utilized at present.

Business recently expanded with the addition of the last two employees. They do not have enough storage space in their location (but there is no room to expand) so they are renting 4000 sq ft in Houlton WI for storage.

The business recently moved from the Brookfield building to the office park by the Jamaca roundabout. They have enough space but would like to expand the business by hiring and training another employee.

Just expanded to two providers

4. Are you currently experiencing any challenges with (select options):

municipal utilities, private utilities-gas

a. most seasonal workers enjoy the atmosphere of respect, strict attention to safety, and perks, it has not been a problem to get help, b. no experience needed, i. unable to upgrade facility as they wanted due to restrictive zoning/permitting which requires more setback for building on agricultural land (existing building would not be allowed under current rules)

a. tough labor market, which he expects to worsen when the Amazon warehouse hiring starts. The part-time staff is mostly entry-level - wait staff, busing, etc. , b. no need for educated employees, training is in house, c. no transportation needed for products, d. employees may bicycle to work, or drive their own cars, he has plenty of parking available, e. employee housing is not a real problem, many are either young adults living with family, or live in Cimmaron, f. financing is not a problem in this case, there is not a current need for bank financing but this is a solid, creditworthy business if financing were needed. Owns the building and pays rent to himself, g. Municipal utilities - this location has been on city water since 1962, no particular problems. City sewer will be coming soon. Cost will be high, h. Right now the "cost of goods sold" is killing profitability because, for example, if the price of eggs goes up 400%, there is no way to raise menu prices enough to make up for the additional cost without driving customers away.

The Conditional Use Permit for this business restricts growth and they are not sure if it can be modified. There is a very large industrial development just to the west of their property which has industrial / commercial zoning while their property was rezoned from agricultural to limited business some time ago, and they do not know what it would take to get theirs changed. Job posting is done on Handshake, Facebook, and via a career page on their own website <https://www.animalinnpetresort.net/careers/>. Another site is animalintraining.com. Younger employees generally do not live in Lake Elmo due to high costs, but come in from Oakdale or western Wisconsin. The UW River Falls campus has animal health curriculum which is the basis of some of their employees' job skills. No serious problems with employee transportation or employee housing, but recruitment is an issue now. Financing is not a problem, their water comes from a well, and the cleaning of kennels takes a lot of water. They have difficulty with getting good internet, Centurylink is expensive (both monthly cost and charges for upgrades) and slow.

The challenge at this time is lack of nearby affordable housing for junior staff members, some come from Wisconsin and Cottage Grove. Transportation is not an issue as most employees have cars, and on-site parking is an advantage. Utilities - An issue with municipal utilities relates to City water billing - no problem with water supply.

a. talent - no problem right now - the talent needed is in two categories - have both filled now, b. employee education/training - equipment designers (require education) and sales (can be trained on the job), c. suppliers mostly ship to work sites, not a problem, f. financing is not a problem but the cash flow is very seasonal - money comes in when the work is done, during construction season, but costs are high in the winter. g. Only major problem has been with road reconstruction in front of their building - very poor coordination with contractor has caused business disruption, and lack of cooperation in design resulted in plan for a curb which would prevent access to their loading dock area. Delays have been random and have interfered with their plans, and water was shut off with very short notice.. The curb plan issue has required time-consuming extra meetings. Their experience with the City Building Department, Fire Department, and code enforcement during the extensive remodeling of their building 2019-2021 was very positive. h. They get very poor internet service from Xfinity - expensive, slow, narrow bandwidth. Electric and gas are ok.

a. it has been difficult to hire the right person to expand the business, b. they are willing to train someone, e. lower-paid employees live further away

f no issues with financing, had a loan from Lake Elmo Bank to get started with rental, g municipal utilities OK, code enforcement issue – The landlord said that a chiropractor had occupied space in the building previously and had not needed any special permit. Matt went to City to be sure, City Planner Ben Prchal told him that he needed to pay \$5000 for a conditional use permit to do physical therapy at that location. Matt was told that if he had not asked, probably there would have been no issue. He told Ben that there was no way he could come up with \$5000 for this permit process, and then was told that it would not be necessary. h private utilities – broadband from Xfinity is very expensive, finally went with T-mobile hotspot.

5. Are there any customers, vendors, service providers or suppliers the city may want to consider visiting with about possibly relocating to Lake Elmo that could compliment your business?

Brewery, more retail

It would be good to have more consumer-oriented retail in Lake Elmo to bring in ordinary shoppers who now go to Stillwater or Woodbury - a "General Store" other retail, grocers, more choice in restaurants.

The restaurant's suppliers need not be very local. More traffic coming to other businesses would help to increase the number of potential customers. Estimates that 50 % of his business is people who see XXXX's as a destination, 50% are driving by and stop in.

A complementary local business could be a pet store/pet supply location. Customers now go to Woodbury or Stillwater big box pet store locations.

Interesting question - their business partners are real estate companies and banks.. Otherwise, not a lot of connection to local businesses

They would like to have a local company that offers storage. They would like to engage a local construction company to built the playgrounds they design. They moved their business from St. Louis Park to Lake Elmo for business advantage (Lake Elmo is growing) and because they got a good deal on a suitable building.

They rely more on referrals, more foot traffic would not benefit their business very much. They use a 3rd party social media provider and pay for a sign at Lions Park field.

A complementary business would be a gym, health club, other fitness activities nearby etc. They get some business leads from foot traffic but rely on mostly social media and referrals from fitness coaches to get new patients. Some more prominent signage may be helpful but regulations are limiting

6. Is there anything the City or EDA can do to help your business grow and expand?

They would like to see a more flexible rule for business signage - perhaps seasonal installation of a suitable sign?

Have city staff or commission members come out to see what is being planned before writing up a recommendation or making a vote. Have consultation sessions with cooperation rather than rule-based pushback against development requests. The city is perceived as non-collaborative and unhelpful, sometimes it seems like a confrontational situation.

The city is perceived to treat businesses unevenly, what has been allowed for one business is denied for another. For safety and smooth traffic flow, Krueger Tree farm would like to be able to set up small lighted signs to direct the incoming and outgoing traffic in the evenings from Thanksgiving to Christmas but the regulation does not allow such signage. If a business asks for permission to do something, the request is "put under the microscope" to look for items that might be against the rules, rather than having an open discussion of what is needed and what might be allowed.

The possibility of using the farm as a photographer's background was interpreted as creating an "entertainment" business which was not allowed in the zoning area. It took a lot of effort to resolve this issue, the back-and -forth communication was difficult. Ultimately in this case the IUP was amended satisfactorily, but the ruling seemed quite arbitrary with respect to the number of trips was allowed (actually many more than requested).

does not expect the City to help attract customers, but there are things that can be done to not discourage customers. Deal with the traffic issues

Traffic issue 1 - since the traffic light was installed at LE Ave and Hwy 14, there is no guidance to those pulling out of XXXX's driveway to go left on 14, or straight north on LE Ave. This situation is dangerous especially for those with slower reaction time, because the driver has to guess when to go and has no idea of what the signals are directing the other three traffic flows. Said that this situation is probably temporary but it has existed for about 5 years, and it hurts his business. Traffic issue 2 - since the reconstruction of the intersection of Manning and Hwy 14, with the consequence of creating traffic flow past rather than through downtown Lake Elmo. Many fewer potential customers drive past XXXX's since that change. Suggests placing two signs, northbound and southbound, on Manning to indicate the existing of downtown businesses. It could take the form of the freeway information signs (FUEL and the icons of the gas stations, FOOD and the icons of the restaurants) or even just "Lake Elmo Business District" and would let people know that businesses exist. Traffic issue 3 - walking access from downtown and local residence areas - the City (or County) owns the sidewalk and should take responsibility for keeping it snow and ice free.

Signage rules are restrictive and unevenly enforced.

Improve the processes for making decisions that affect the profitability or even the existence of a business. Lake Elmo zoning and business laws are perceived as very prescriptive and non-flexible. It seems that business owners are not consulted when the City decides to make changes. The process for getting permits often seems non-cooperative, and perhaps even confrontational. Cited an example, he had to participate in 12 meetings in order to get approval for his drive through window - perhaps because there was an institutional distaste for any "fast food" type business in the city? The City of Lake Elmo has had a reputation of not being friendly to business, which tends to discourage new business from locating in the City. Perhaps it is time to re-think and re-write some of the laws about signage, setbacks, traffic patterns, etc to allow more flexibility and open-mindedness in permitting decisions. Perhaps it is time to create a function in the City which would cooperate with business owners to help them understand and work through the system, and encourage the elected/appointed officials (Council and Commission) to take closer look at the situations on which they will be voting. Would like to have "a seat at the table" during the period when a staff report is being prepared for Council/Commission consideration, not just a six-minute chance to speak up at the last minute before a vote.

The business climate in Lake Elmo has been an issue (reputation for "unfriendly to business"). The settlement of the development lawsuit (LE vs Metro Council) did help their lender decide that the LE location was viable. They are originally from California, and lived in Farmington MN where there is also an issue with difficult business climate. How much is the State, how much local? They would like to improve the signage for their location to make the business more visible, but understand that LE is very restrictive in that regard. They would like to get a clear

encouraged that the City has opened a channel through the EDA to listen to business owners' concerns. In the past their only connection was to pay the real estate taxes. The City organization was not viewed as helpful, and the divisive nature of historical Councils did not engender much confidence. She would like to be kept apprised of the activities of the EDA.

New developments in Lake Elmo are required to provide a park (maybe with a playground) or pay a parks dedication fee, they would like to form connections with the developers of new housing developments to be able to offer their services. It would be helpful if the City had a program to help businesses that want to redevelop existing buildings to make them suitable for the new owner's business (restore or upgrade existing commercial buildings) to maintain a historic appearance. They would like better cooperation with the City snow removal process. The While there are many new developments where homeowners need insurance, most of the big developers have their own in-house insurance business, which typically offers a low cost bare-bones policy, and XXXX only gets the business after the homeowner has a bad experience with this "package" plan.

7. Are there any priorities you would like to help identify for the City of Lake Elmo or the Lake Elmo EDA to consider as strategic planning action steps?

Slow down residential development. More new residents equal more kids which equals more schools which equals more school district taxes. I know this is true, I have owned my building since 1980 and know the consequences of out of control development and it is not good for small business owner. The huge assessments to fund the main street sewer project have made the profitability of my business pretty bleak.

Would it be possible for a seasonal commercial business such as this business to be classified for tax purposes as commercial for the business period and agricultural for the non-business period?

Go to the county and get information on the tax base - how much is commercial, how much is residential. Be sure to consider this background when making strategic planning decisions. Why is the Fiscal Disparity tax on businesses so high? This is money that leaves the City. Take steps to ensure that another loss of commercial land by Lake Elmo, like Oakdale's annexation of Section 32, does not occur. Estimates that that area is has \$600 million in commercial real estate value - and Lake Elmo does not get a penny of the tax revenue even though the businesses are heavily patronized by Lake Elmo residents.

What is the plan for business development in LE? We suggested that there may be a section of larger business/industrial near I-94 and I 694, a smaller-business downtown, and residential development in the rest of the City. We would like to have local businesses to meet the needs of local customers, to keep the spending in LE. Changing demographics - bringing in more young workers and families with kids.

She thought that community business awareness could be improved. We mentioned the creation of Connect Lake Elmo as an organization to help with this need.

Strategically, said that it would be good if more retail business with "charm" could be attracted to the downtown area to generate more foot traffic. Many of the downtown businesses are destinations (like the architects, real estate, insurance, etc) and do not depend on random visits by people walking by, but the by-gone coffee shop and once-proposed ice cream shop would make the downtown a lot more attractive. Even amenities like Bayport's hanging flower baskets and Mabel's ice cream would help downtown Lake Elmo attract more customers.

The strategy should be more inclusive to small businesses, and make it easier to deal with the City for business modifications. Their plan had been to expand on the original Old Village site but the complications of dealing with a third-party engineering firm made the process very inefficient and time-consuming, finally they gave up and moved to the roundabout business park. They like Lake Elmo, "Main Street" is amazing and has opportunities for improvement, it is "not Woodbury". There should be good opportunities with the new demographics (more active young families) to provide growth for a service business, if people can be persuaded to keep the business local. It would be helpful if there were attractive businesses or activities to keep people "in town" after they come for a haircut or a restaurant meal.



STAFF REPORT

DATE: August 16, 2022

REGULAR

AGENDA ITEM: Consultant RFP Discussion

SUBMITTED BY: Kristina Handt, City Administrator

BACKGROUND:

At the last meeting, commissioners held a discussion on an EDA budget request for 2023. There was interest in asking for funding for a consultant.

ISSUE BEFORE COMMITTEE:

What tasks would the EDA like to see a consultant complete? What other factors should be included in a Request for Proposals (RFP)?

PROPOSAL DETAILS/ANALYSIS:

As noted at the last meeting, a consultant may cost between \$85-95,000. A request for \$85,000 will be presented to the City Council at their budget work session on August 23rd.

Possible items for inclusion that were discussed at the last meeting were staffing the EDA, community development and promoting activities in the city.

Chris Eng, Economic Development Director, Washington County CDA has been invited to help the board brainstorm ideas.

RECOMMENDATIONS:

“Motion to include in an RFP for EDA consultant services”

ATTACHMENT:

- None