

Agenda



ECONOMIC DEVELOPMENT AUTHORITY (EDA)

Tuesday, January 21, 2025

Hugo City Hall

6:00 PM

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| 6:00 pm | 1. | Call to Order |
| 6:01 pm | 2. | Roll Call

(Chrun, Denaway, Krull, Puleo, Shevchuk, Weidt) |
| 6:02 pm | 3. | Oath of Office – Ben Krull |
| 6:03 pm | 4. | Approval of Minutes

EDA Meeting of November 19, 2024 |
| 6:05 pm | 5. | Review of 2024 EDA Activity |
| 6:20 pm | 6. | Discussion on 2025 EDA Goals |
| 7:00 pm | 7. | Adjournment |

If you need accommodations for the EDA meeting please contact Rachel Juba at (651) 762-6304 or rjuba@ci.hugo.mn.us, thank you.

Background memo for the EDA Meeting of Tuesday, January 21, 2025

3. Oath of Office – Ben Krull

Ben Krull shall take the oath of office and be sworn in as an EDA Commissioner for the City of Hugo.

4. Approval of Minutes

Staff recommends approval of the minutes from the November 19, 2024 meeting as presented.

5. Review of 2024 EDA Activity

Staff will present a review of the EDA's meeting activity over the course of 2024, as well as some items the EDA can expect to review in 2025.

6. Discussion on 2025 EDA Goals

Staff recommends the EDA discuss and approve goals for 2025. The goals will be forwarded to the City Council for their goal setting workshop this month.

MINUTES FOR THE EDA MEETING OF NOVEMBER 19, 2024

President Weidt called the meeting to order at 6:00 PM

PRESENT: Chrun, Denaway, Klein, Puleo, Shevchuk, Weidt

ABSENT: Arcand

STAFF: Bryan Bear, City Administrator

Rachel Juba, Community Development Director

Max Gort, Associate Planner

APPROVAL OF MINUTES FOR THE EDA MEETING OF OCTOBER 15, 2024

Commissioner Chrun made a motion, seconded by Commissioner Klein, to approve the September 17, 2024 meeting minutes.

Ayes: All.

Nay: None.

Motion carried.

UPDATE ON DRAFT CANNABIS ORDINANCE

Associate Planner Gort presented background on city staff's drafting of an ordinance related to and regulating cannabis businesses within the City of Hugo. In 2023, the Minnesota Legislature enacted Chapter 342, creating regulatory framework for a legal cannabis industry and establishing a state agency known as the Office of Cannabis Management (OCM). The OCM published a guide for local governments and a model ordinance in September of 2024, which started the process for most communities to begin drafting a local ordinance. Staff is currently drafting an ordinance that will be available for public comment during a Public Hearing at the Planning Commission. Staff is seeking informal, nonbinding comments from the EDA on several items that would go into such an ordinance.

Staff is currently proposing that cannabis retailers would be permitted within commercial zoning districts (C-1, C-2, NS, BP), with all other cannabis business types such as cultivators, manufacturers, wholesalers, microbusinesses and mezzobusinesses being permitted in industrial zoning districts (I-3, BP). State statute requires that cities allow at least one cannabis retail license registration per 12,500 residents, meaning that the City of Hugo is required to permit at least two retailers within the City. Staff is proposing that a small percentage of gross floor area could be permitted for microbusinesses and mezzobusinesses with the appropriate license endorsement in the I-3 and BP zoning district. Staff is proposing restricting cultivators to industrial zoning districts, because analysis suggests that cannabis cultivation is a more intense land use than traditional agricultural uses.

State statute also permits local units of government to impose a buffer for cannabis businesses, up to 1,000 feet from schools, and up to 500 feet from daycares, residential treatment facilities, and attractions within a public park that are frequently used by minors, such as playgrounds and athletic fields. However, cities are encouraged to follow precedent within their code, and city code does not currently buffer comparable uses like liquor stores and tobacco shops from sensitive uses. City code does have a buffer for sexually oriented businesses, requiring them to be 300 feet from sensitive uses. Staff presented a few maps showing how such buffers may look, including the maximum buffer allowed by state statute, and a 300-foot buffer following precedent in city code. While performing this analysis, staff found that problems

arise when imposing a buffer, such as neighboring properties within the same zoning district having different restrictions, and that existing zoning has done an adequate job of separating non-compatible uses. As a result, staff is recommending that buffers are not included in the ordinance.

Commissioner Chrun stated that he would like to have a buffer from sensitive uses, and that he wouldn't want a cannabis business to locate at the appropriately zoned property across Highway 61 from North Star Elementary School where children would be able to see their products advertised. Commissioner Klein replied that cannabis businesses will need to ensure that underage access is prohibited just like liquor stores. Commissioner Denaway stated that he sees a problem buffering cannabis businesses when there isn't a precedence for liquor stores and tobacco shops. Chrun stated that even with the buffers in place, there are parcels within the appropriate zoning districts that would still be available. City Administrator Bear asks about Chrun's concern with signage, stating that the city can create signage rules specific to cannabis businesses. Commissioner Puleo stated that he'd be in favor of specific signage rules for cannabis businesses.

Gort returned to the presentation, stating that state statute requires cities to allow temporary cannabis events, with the ability to place restrictions on such events. Staff is proposing that temporary cannabis events be prohibited on city-owned property, on-site consumption of cannabis products be prohibited, and that the hours of such events be restricted to 10:00 AM – 10:00 PM. Commissioner Puleo asked if the city can place a restriction on the number of cannabis events that can take place per year. Gort responded that staff will look into that, and Community Development Director Juba stated that they would likely fall under the requirements of a Special Event Permit. Commissioner Chrun stated that prohibiting on-site consumption would be inconsistent with precedent in city code, since there is a temporary liquor license within the Special Event Permit process.

When discussing whether to consider allowing cultivators in rural zoning districts, Commissioner Puleo stated that he was concerned with the idea of small greenhouses popping up on rural properties that would grow cannabis to sell to distributors. Puleo asked if there was a way to view the current regulations, Juba stated that the state statute and the OCM's first draft of cannabis rules are available, but that they do not give a clear picture of what commercial cultivators will look like, which is why staff is currently proposing to restrict them to industrial properties with the ability to expand the permissions in the future. Bear stated that there have been people reaching out to city staff wanting to line up property for cultivation, and that staff has had conversations with them about how the operations may look, and that they are likely to be much more comparable to industrial uses. Commissioner Denaway pointed to LeafLine Labs, which currently cultivates medical cannabis in an industrial facility in Cottage Grove, and stated that that building in particular is much more compatible within an industrial park than on rural property.

CITY UPDATES

Juba stated that the Highway 61 Visioning Study is wrapping up with a draft of the final report under review. When the final report is published, staff will likely invite Washington County staff to present findings to the EDA.

Juba invited the EDA Commissioners to the city Holiday Party on Thursday, December 5th.

ADJOURNMENT

Commissioner Puleo made a motion, seconded by Commissioner Klein, to adjourn the meeting at 7:06 PM.

Ayes: All

Nay: None

Motion carried.

Respectfully submitted.

Max Gort, Associate Planner

2024 EDA Annual Review - DRAFT

The Hugo Economic Development Authority (EDA) is dedicated to creating an environment with a diverse job market and tax base, making sure the growing city thrives. Policy created by the EDA is designed to promote business retention, expansion, and attraction. Each year, the EDA annual report showcases economic activity throughout the past year, and reflects on the EDA's progress toward meeting its goals. The Hugo business community has continued to grow, and several existing businesses are expanding. The EDA and the City of Hugo continue to welcome new and expanding businesses to our community, and are excited to see the new prospects that come along.

Premier Banks Relocation

In 2022, Premier Banks received approval to construct a new 4,500 square foot building at the northwest corner of Highway 61 and 147th Street. The bank is relocating from their former location across Highway 61, in the space attached to the Speedway Gas Station. The new bank location adds a commercial user to the northwest corner of the Highway 61 and 147th Street intersection, creating a focal point for downtown Hugo with commercial users at all four corners. The bank building includes a single-stall drive-thru, and has 1,200 square feet of additional tenant space. The bank's construction completed in early 2024, and a grand opening was held in June.

Blossom Bridge Child Care

Blossom Bridge Child Care joined the Hugo business community in 2024, moving into the former St. Croix Saddlery building at 5525 141st Street N. The building had originally been occupied by a daycare before the saddlery, bringing a familiar user to the space. Blossom Bridge remodeled the interior of the building to create five classrooms: an infant room, a toddler room, two preschool rooms, and a Pre-K room. The child care center will have capacity for 82 students, with 15-20 per class. In addition to the interior modifications, a new playground was constructed behind the building. The total building space is approximately 4,500 square feet.

Liberty Classical Academy

In 2022, a private school called Liberty Classical Academy purchased the former Withrow Elementary School from the Stillwater School District, located in southeastern Hugo at 10158 Keller Avenue N. In the spring of 2024, Liberty requested approval of a 33,500 square foot building addition to the existing school, and associated parking. The school currently has facilities for kindergarten through second grade, and the addition would add capacity for grades 3-5 and for high school students. The City Council approved the addition in June of 2024, and the city has yet to receive a permit for its construction.

Autism Services of Minnesota

There is a multi-tenant commercial building within the Victor Gardens South Village development located at 14665 Mercantile Drive N. Autism Services of Minnesota has been operating out of one tenant space of the building since 2023. In 2024, they purchased an additional 1,325 square foot tenant space that was previously occupied by a daycare. Autism Services of Minnesota remodeled the space and expanded their footprint within the community.

Commercial Construction Permits

Projects	Square Footage	Valuation
Blossom Bridge Child Care	4,472 sq. ft.	\$300,000
Autism Services of Minnesota	1,325 sq. ft.	\$35,000
TOTAL	5,797 sq. ft.	\$335,000

Marketing of City-Owned Property Downtown

The City of Hugo has had an ongoing plan to market the City owned property on Egg Lake for \$1.00, provided that the potential developer could meet a list of highly desirable development criteria in creating an attractive piece of our downtown. In December 2020, Denny Trooien of Dennis Properties, LLC. entered a purchase agreement with the City with a concept plan to construct a multi-use commercial development taking advantage of the lake shore scenery. In the fall of 2022, the project known as “Downtown Hugo” received approval for its preliminary plat and PUD applications. However, the project ran into some pushback with the DNR relating to the proximity of buildings to the shore of Egg Lake. Staff and the developer had discussions with the DNR to try and develop a plan that the state could approve, but at the end of 2023, Mr. Trooien withdrew from the project and did not renew his purchase agreement.

The EDA had a discussion at their January 16, 2024 meeting to determine next steps for the city-owned property. The discussion included ways to put the property back on the market, and how to prevent a situation where the DNR halts a project due to shoreland rules. The EDA directed staff to pursue implementation flexibility with the DNR through a revision of the city’s shoreland ordinance, and to do some soft marketing of the property.

Throughout the year, staff has worked to market the property for development, emphasizing the incentives in exchange for a high-quality development proposal. Marketing efforts have included creating an updated marketing brochure, listing the property on commercial real estate websites such as MnCAR and LoopNet, and direct emails to commercial real estate brokers. Staff also attended the MNCAR Expo in October to communicate with potential developers and brokers directly. Marketing efforts will continue into 2025, including further outreach and creation of a new sign to post on the property.

Shoreland Ordinance

Following the withdrawal of Denny Trooien’s proposal for the city-owned property due to shoreland restrictions, the EDA and City Council directed staff to pursue implementation flexibility with the DNR relating to shoreland rules. Under certain circumstances, a local government can adopt shoreland management controls that are not in strict conformance with state shoreland standards, subject to DNR approval. Staff met with the DNR in November to request implementation flexibility for the following items:

- Downtown/Egg Lake – Allow for an increase in the maximum building height and impervious surface requirements, and decrease the minimum setback from the ordinary high-water level of Egg Lake.
- Public drainage ditches and tributaries – Regulate land use, density, and performance standards through modified underlying zoning standards, rather than shoreland standards.

The DNR sent a draft agreement in December, which outlined proposed flexibility and offsetting higher standards. Staff will continue to work with the DNR to create an amended shoreland ordinance with the requested flexibility. Staff will involve the EDA to provide input on the process as it moves forward.

Cannabis Ordinance

By enacting Minnesota Statutes 2023, Chapter 342, the Minnesota Legislature has provided a regulatory framework for the sale and manufacturing of cannabis and hemp products, the licensing of cannabis and hemp businesses, and establishes a State Agency known as the Office of Cannabis Management (OCM). In the fall of 2024, staff began to draft an ordinance relating to and regulating cannabis businesses within the City of Hugo, which would include definitions of cannabis businesses, a procedure for registering cannabis businesses within the city, zoning and land use designations for cannabis businesses, performance standards for cannabis businesses, and processes related to temporary cannabis events.

At its meeting of November 19, 2024, the EDA heard a presentation from staff asking for similar comments on the direction of the cannabis ordinance. The EDA had some debate about whether to require buffers to limit the ability to advertise to minors, but generally agreed that this concern could be addressed through regulating signage specifically for cannabis business. Generally, the EDA was comfortable with staff's recommendation for zoning districts, buffers, and the inclusion of cannabis events within the special event permitting process.

The Planning Commission reviewed the draft ordinance and held a public hearing at its December 12, 2024 meeting, and unanimously voted to recommend approval. The City Council approved and adopted the ordinance on January 6, 2025. Following the ordinance's adoption, staff has begun to set up procedures for reviewing and registering cannabis business applications that are applying for a license from the state. It is expected that OCM will begin issuing licenses by mid-year of 2025. Staff will keep the EDA informed on the development of cannabis businesses in the city, and will involve the EDA in any future ordinance revisions.

City Code Review and Revision Study

One of the goals that the EDA had set for 2024 was to "evaluate commercially-zoned property in regards to uses, including residential." Within the past few years, the City has received a number of proposals to construct high-density residential projects on property that is currently zoned for commercial uses. Generally, the EDA has been comfortable with the idea of rezoning vacant commercial property for residential in the right circumstances. In the fall of 2024, staff began to work with consultants at Landform Professional Services on a review of residential

zoning districts and development standards, with the goal of updating city code to better match the vision of the 2040 Comprehensive Plan, and contemporary development trends.

During the initial stages of the code review project, staff applied for and received a \$50,000 policy development grant. With the additional funds provided by the grant, Landform has begun drafting a new scope of work that will involve a review of all zoning districts, including commercial, industrial, and developing a new mixed-use zoning district. The results of the study will likely have an impact on future economic development efforts within the city. Staff will involve the EDA in this second phase of the study sometime in early 2025.

Highway 61 Visioning Study

Washington County, MnDOT and the City of Hugo are partnering on a corridor visioning study of Highway 61. A traffic, land use, and engineering analysis along with community input has helped identify the long-range vision for the corridor that will be used to define future improvements and guide a potential jurisdictional transfer of the roadway from MnDOT to Washington County. The goals of the study include items such as evaluation of intersection improvements, defining access points, and determining right-of-way needs for the corridor for a possible expansion of the roadway.

The study neared its final stages throughout 2024. The project management team developed a draft of the final layout for the corridor, which was available for public comment at an open house on August 15th. The EDA has been involved with the study throughout its duration, particularly with how the final vision from the study will guide future land use and economic development planning along the corridor. The EDA will likely hear a final update from Washington County staff near the study's completion in early 2025.

2024 Goals

Economic Development Authority (EDA)

Development and Downtown Redevelopment

- Stay engaged with the Highway 61 Visioning Study
- Discuss and encourage small area planning in the area of 165th Street and Highway 61
- Evaluate commercially-zoned property in regards to uses, including residential.
- Assist and encourage redevelopment and beautification of properties in downtown
- Determine the future of the city-owned property on Egg Lake
- Stay informed on Cannabis related laws and City Code revisions

Maintain a Business Friendly Environment

- Continue low development costs
- Continue business visits and the BR&E Program
- Provide resource lists for business
- Promote Washington County CDA grant and Open to Business Program
- Discuss the future of cannabis businesses and their relationship with the City

Marketing / Promotion of the City

- Continue memberships of economic development associations
- Stay informed with the progress of the Technology Corridor (I35E) planning
- Continue to encourage and monitor infrastructure improvements to promote economic development

Partnerships

- Continue partnering with local businesses and the HBA
- Continue to partner with Washington County on its Economic Development Strategic Plan
- Meet with property owners with property for sale to see if there is any way the City can help