



STEELE COUNTY BOARD OF COMMISSIONERS WORK SESSION AGENDA

Administration Center - 630 Florence Avenue – Owatonna, MN 55060

*Steele County's Mission:
Driven to deliver quality services in a respectful and fiscally responsible way.*

TUESDAY, October 28, 2025 at 4:00 PM
County Boardroom, Steele County Administration Center

Agenda

1. Call to Order
2. Northland Securities (virtual)- Jessica Green
Discussion of reserves and credit rating
3. SCHA presentation – Leota Lind
4. Funding Request related to the Disbursement of the Steele County Statewide Affordable Housing Aid Funds
5. Ordinance #42 revisions – discussion regarding restrictions applicable to low potency hemp products

Adjourn

Disclaimer: This agenda has been prepared to provide information regarding an upcoming meeting of the Steele County Board of Commissioners. This document does not claim to be complete and is subject to change.

Notice: Steele County Commissioners may, at any time, participate by interactive technology per Minn. Stat. 13D.02 subds. 1 & 2.



Steele County Agenda Item

Subject: Northland Securities Presentation

Department: Administration Office

Committee: Choose an item.

Committee Meeting Date: Enter a date.

Work Session Date: October 28, 2025

Board Meeting Date: Enter a date.

Consent Agenda: ☐ Yes ☐ No

Resolution: ☐ Yes ☐ No

Policy Committee Recommendation:

Enter the recommendation from the Committee to the Board of Commissioners. This must be filled out for all Board Meeting agenda items. If the item did not go to a committee list as “N/A” or a reason why.

Recommendation:

Information (including rationale, if applicable):

Two capital projects are proposed for the 2026 CIP that, if funded through the levy, would have resulted in a significant increase in property taxes to residents. The two projects are the Beaver Lake park/boat landing improvements and the repair/replacement of the Detention Center roof. Based on the recent conversation about the Phase 2 study regarding Beaver Lake, work on the improvements could start as early as 2026. While it is possible that the roof repairs on the detention center could be delayed until 2027, staff recommend that the repairs be completed in 2026 to avoid additional residual damage to the interior of the building. The estimated amount needed from reserves for these two project is \$3.0 mil.

The board could use reserves for these projects, but concerns were expressed at a recent budget meeting that the use of such reserves may negatively impact the county's credit rating. Commissioner Krueger requested that Jessica Green attend a work session to provide her opinion on the impact of the use of reserves for these capital projects.

By way of background, the county's reserves policy sets a minimum balance for assigned and unassigned general funds at 45%. If the fund balance exceeds 55%, the policy further indicates that

the “board will consider” the use of fund balance for one-time expenditures such as for capital projects. The percentage of assigned/unassigned general fund balance as compared to the operating budget for year end 2023 was 65.52%. The percentage increased to 74.49% for year end 2024, putting the balance above the 55% desired maximum. The concerns regarding the impact to the credit rating, however, require analysis of other factors that Jessica Green will explain as part of her presentation.

Finally, please note that the cell construction project at the landfill is being funded by the landfill enterprise funds and those funds are not included in the assigned/unassigned balance amounts referenced above and do not impact the use of reserves for the anticipated 2026 projects.

Steele County Minnesota

Board of Commissioners Work Session

Jessica Green, Managing Director

October 28, 2025

Outstanding Debt

	<u>G.O. Capital Improvement Plan Bonds, Series 2018A</u>	<u>G.O. Jail Bonds, Series 2020A</u>		
Dated:	05/01/18	01/09/20		
Original Amount:	\$3,190,000	\$4,505,000		
Maturity:	15-Dec	15-Dec	TOTAL	<u>Collection</u>
Interest Rates:	3.00-4.00%	2.00-3.00%	PRINCIPAL:	<u>Year:</u>
2025	700,000	245,000	945,000	2025
2026	715,000	260,000	975,000	2026
2027	0	725,000	725,000	2027
2028	0	750,000	750,000	2028
2029	0	760,000	760,000	2029
2030	0	780,000	780,000	2030
	\$1,415,000	\$3,520,000	\$4,935,000	

Bond Rating

- **Steele County received a rating upgrade from AA to AA+ in 2023; the outlook at the time of the report was listed as stable.**
 - **Consistently strong operating results**
 - **Very strong growth in tax base**
 - **Very low debt burden**
- **Limiting factors (per rating methodology):**
 - **Economic metrics: i.e. income measures**

Use of Fund Balance

- The County is considering using approximately \$3M of cash (fund balance) to support deferred maintenance projects
- The County's cash position and unassigned fund balance is healthy
- S&P's rating methodology is complex
- Comparison to other Counties is an important factor (see handout)

Questions?

Jessica Green, Managing Director
612-851-5930
jgreen@northlandsecurities.com

Comparison of Key Credit Indicators

County	Moody's Credit Rating	S&P Credit Rating	2020 Census Population	10 yr % Population Change	2024/ 2025 Estimated Market Value	5 Yr Avg. Annual % Change (TMV)	Full Value Per Capita	2024 County Unemployment Rate (Dec 2024/ Aug 2025)	General Fund Balance	GF Balance as % of GF Revs	Annual Debt Service as % of Expenditures ³	Remaining Debt Capacity Under Statutory Debt Limits	GO Debt Outstanding (excluding revenue- supported debt) ⁵	Principal Amortization in 10 years	Date of Rating Report for Summary	Date of Official Statement or Continuing Disclosure Report for Summary	Date of Audit for Summary
Steele		AA+	37,406	2.3%	\$ 6,636,565,600	10.1%	\$ 177,420	2.8%	\$ 24,153,250	61.0%	0.8%	\$193,546,968	\$ 5,550,000	100.0%	11/30/23	12/31/24	12/31/23
Steele - Current		AA+	37,406		\$ 7,159,402,500	8.9%	\$ 191,397	4.9%	\$ 29,675,032	72.2%	0.7%	\$209,847,075	\$ 4,935,000	100.0%			12/31/24
Steele - Proposed									\$ 26,675,032	64.9%							
Waseca		AA	18,968	-0.9%	\$ 4,356,642,033	9.6%	\$ 229,684	3.9%	\$ 9,376,048	50.6%	3.6%	\$80,512,032	\$ 2,305,000	100.0%	12/27/19	1/13/20	12/31/23
Blue Earth		AA+	69,112	8.0%	\$ 12,546,321,300	8.6%	\$ 181,536	2.1%	\$ 66,742,419	78.6%	4.2%	\$371,309,344	\$ 12,350,000	100.0%	11/8/24	12/18/24	12/31/23
Rice		AA	67,097	4.6%	\$ 10,088,061,900	9.3%	\$ 150,350	2.5%	\$ 35,788,677	97.0%	4.8%	\$62,319,479	\$ 60,370,000	33.2%	7/14/22	7/16/24	12/31/23
Carver		AAA	106,922	17.4%	\$ 21,575,481,100	8.8%	\$ 201,787	2.2%	\$ 39,365,912	45.9%	2.7%	\$632,625,240	\$ 13,464,000	21.0%	6/9/22	7/3/24	12/31/23
Olmsted	Aaa		162,847	12.9%	\$ 27,449,991,900	9.2%	\$ 168,563	1.9%	\$ 110,567,358	89.4%	2.6%	\$708,356,295	\$ 111,910,000	79.0%	11/6/24	9/19/24	12/31/23
Ramsey	Aaa	AAA	552,352	8.6%	\$ 74,754,448,711	7.3%	\$ 135,338	2.4%	\$ 107,601,624	115.4%	2.6%	\$2,410,880,301	\$ 183,990,000	70.0%	1/15/25	12/20/24	12/31/23
Scott		AAA	150,928	16.2%	\$ 28,735,997,300	9.6%	\$ 190,395	2.3%	\$ 54,854,501	39.5%	4.8%	\$767,096,206	\$ 92,810,000	40.4%	5/31/24	12/26/24	11/15/24
Washington	Aaa	AAA	267,568	12.4%	\$ 53,638,004,950	10.5%	\$ 200,465	2.2%	\$ 241,698,561	90.4%	3.6%	\$1,493,367,897	\$ 112,695,000	76.6%	6/5/24	6/11/24	7/9/24

Notes:

¹ Source information includes current audits, credit rating reports, credit rating websites, continuing disclosure reports, final official statements, American Fact Finder (factfinder.census.gov), MN Employment & Economic Development, respective County websites

² This information was compiled by Northland Securities. The information is intended solely for the general information of the recipient. This information is not a recommendation of action or other form of advice related to a specific issuance of municipal securities. The information is based on sources believed to be reliable, but Northland Securities does not purport the information to be complete and is not warranted by Northland Securities, Inc.

³ Annual debt service includes non-general obligation payments.

⁴ Debt ratio figures are computed off of Estimated Market Value. Indirect debt used in the calculation is as of the date of the official statement, continuing disclosure document or audit.

⁵ Debt figures are estimated to be as of 12.31.24

MEMBER COUNTY BOARD 2025 FALL REPORT

Leota Lind, CEO





STRATEGIC PRIORITIES UPDATE

2023 through 2025





#1: Work collaboratively with DHS to solidify the role of County Based Purchasing (CBP) in delivery of Minnesota Health Care Programs.

- **Ongoing Collaboration (Since Feb 2023):**

Regular engagement with DHS, AMC, and CBP leadership to design the **County Administered Rural Medical Assistance (CARMA)** model.

- **Legislative Success – 2024:**

Legislation passed authorizing DHS to **collaboratively develop** the CARMA model with AMC and CBPs.

- **Legislative Success – 2025:**

Legislation passed authorizing **implementation** of CARMA beginning **January 2027**.

- **Impact on CBP:**

Legislation lays the groundwork for **increased membership, greater stability** and **long-term viability**.

- **Improved Partnerships:**

Notable shift toward a **more positive and collaborative relationship** with DHS.





#2: Work with other CBPs to educate legislators, County Commissioners about the unique value and health outcomes and economic impact of CBP as well as examples of successful legislative strategies they can support.

Outreach/Engagement

- Hosted 3 regional **educational events** with legislators and county officials.
- Participated annually in **AMC Legislative Conference**.
- Held multiple **meetings with legislators** each session.
- Hosted **state and federal legislators** at South Country.

Targeted Communications

- Created **county-specific informational packets** highlighting local impact.

Legislative Success

- **2024**: Legislation passed to **codify CBP intent** via CARMA (with Priority #1).
- **2025**: Legislation passed establishing **CARMA as a distinct model**.

Impact on CBP

- **Increased legislative awareness and support.**
- Secured **carve-outs for CBP** in major legislation.



#3: Identify key messages for a marketing campaign to our members, the public, our partners, providers, and counties. Consider developing an alternative name to CBP that clarifies how we incubate and innovate.

Engagement & Research

- Held **listening sessions** with members and the public
- Used **insights** to shape **branding and messaging**

Campaign Execution

- Launched **multi-channel marketing** campaign
- Refined materials based on **stakeholder feedback**

Marketing Tools

- Radio, billboards, buses, digital screens
- Search engine, display, programmatic audio, streaming TV, Facebook

Monitoring Performance

- Monthly reviews of **campaign metrics**
- Annual **ad refreshes** to maintain performance

Impact:

- **Increased awareness** of South Country among members, community, and county partners



#4: Evaluate and develop programs and services offered to address Social Determinants of Health and health equity to current members.

Engagement & Research

- Identified **unmet service needs** and health disparities.
- Internal teams and county partners prioritized **Nutrition** and **Mental Health** as focus areas.
- **Developed new programs**, budget, and timeline for launch.

New Programs

- **Rite Bites for Life:** 12-month pilot focused on **nutrition** targeting members with **diabetes and obesity**. Provides **dietitian support and meal delivery**. Engaged over 100 members.
- **Doctor on Demand:** Designed to **improve access**, especially in rural areas. Expanded virtual access to **counseling, psychiatric care, and urgent care**.

Outcomes

- Participants reported **improved health outcomes**.
- **Cost-effectiveness**.
- **Improved healthcare access** in underserved rural communities.





#5: Work with MN Community Measurement to develop tools and measures that compare rural and urban health care data re: utilization, cost and member outcomes.

Initial Research and Scope Definition

- Conducted **in-depth research on healthcare disparities** between rural and urban communities in Minnesota and nationally.
- Clarified project scope by defining “rural” and **narrowed focus to Medicaid member outcomes.**

Key Insight:

- Identified a major data gap: no existing source provides **county-level Medicaid outcomes.**
- MNCM and MDH **datasets lack granularity** needed for targeted analysis.

Impact:

- Compiled a **comprehensive overview** of rural-urban disparities and data limitations.
- Built a **solid foundation** for future tool development and **policy recommendations.**

Future Work:

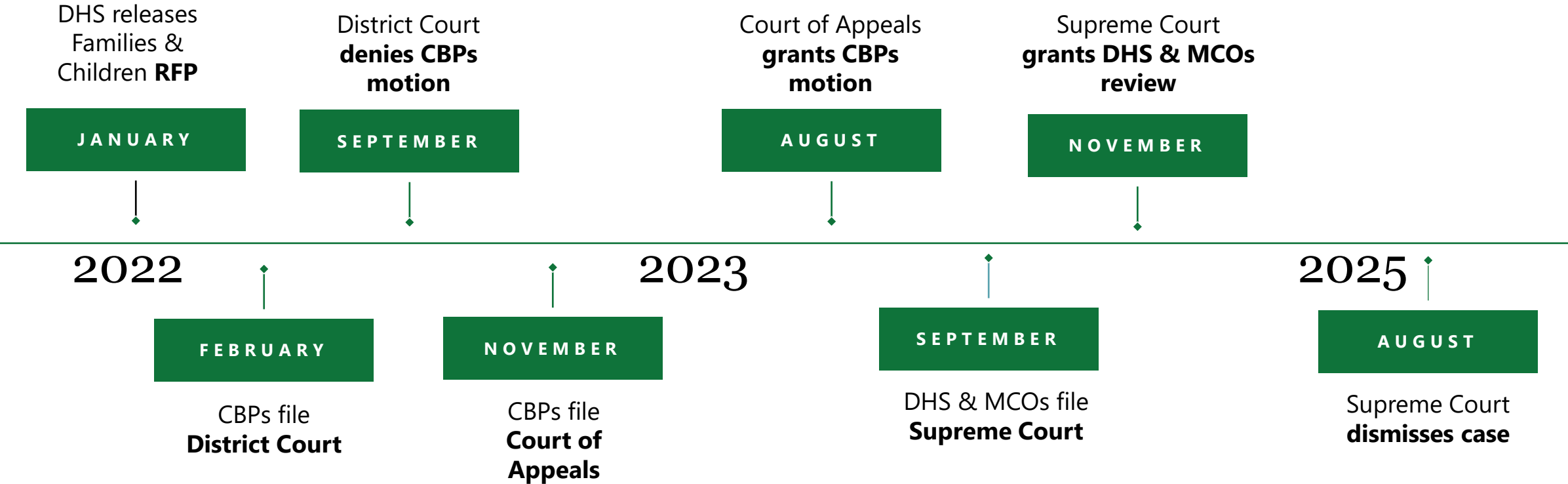
- **Explore solutions** to fill data gaps and improve measurement tools.
- **Support development** of future tools and measures.



PROCUREMENT COURT CASE UPDATE



Procurement Court Case





Procurement Court Case Outcome & Next Steps

- Dismissal **upholds the Court of Appeals decision** affirming:
 - Counties have the **right to choose CBP**.
 - Once chosen, **CBPs cannot be replaced** without county consent.
- A major legal **WIN!** Over a decade of challenges.
- Case will **return to District Court for resolution and enforcement** of the appellate ruling.



FINANCIAL UPDATE





August 2025 Financials

- Net loss of \$(3,728,000) compared to a budgeted net loss of \$(1,059,000).
- Total revenues was \$9.1 million above budget about 7% better.
- Total net claims expense was \$12.6 million above budget or about 10%.
- Loss ratio was 98.8%, 2.7 percentage points worse than budget and 4.0 percentage points higher than for the same period last year.
- Administrative expenses were \$1.2 million under budget. Admin costs were 10.3% of revenue. 1.6% better than budget but higher than last year.
- Capital and surplus is \$36.8 million.



Overview of 2026 Contract rates (average increase over 2025)

■ Medicaid

- PMAP 16.4%
- MNCare 17.6%
- SNBC 13.1%
- Seniors 14.5%

Average of all Medicaid programs 14.3%

■ Risk corridor for all Medicaid products

■ Medicare

- SeniorsCare Complete 9.2%
- AbilityCare 14.9%



PLEASE MARK YOUR CALENDAR

ANNUAL AMC DINNER

MONDAY, DECEMBER 8
6:30-8:30PM





Steele County Agenda Item

Request for Board Action

**Subject: Funding Request Approval related to the Disbursement of the Steele County
Statewide Affordable Housing Aid Funds**

Department: Administration Office

Committee: Choose an item.

Committee Meeting Date: Enter a date.

Work Session Date: October 14, 2025

Board Meeting Date: October 14, 2025

Consent Agenda: ☐ Yes ☒ No

Resolution: ☐ Yes ☒ No

Policy Committee Recommendation:

n/a

Recommendation:

Approve Request for funding submitted by the city of Owatonna to support an affordable housing project in an amount to be determined by the Board.

Background (*Including Budget Impact*):

At the March 25 Board Meeting the Board approved an RFP process to solicit block grant requests from the four Steele County cities. The RFP application form was sent to the four Steele County cities. The materials were sent a second time with an extended application deadline. As of the new application deadline of September 15, 2025, I received a proposal from the city of Owatonna. The city is seeking \$200,000 to support a project to construct 10 affordable single-family homes, the details of their proposal are set forth on the attached response. They also included a budget and letters of support.

The County has received \$289,054 as of 2025. It is scheduled to receive another \$60,875 in 2026. Funding beyond 2026 is not yet known. As described in the RFP, the Board is to consider applications and determine what proposals will be funded and at what amount. The approved awards will be disbursed on or about January 1, 2026 and the funds must be used prior to December 31, 2027.

The Board is asked to consider the project for funding. If the board is prepared to make an award, the next step is to determine the amount of funding and move this matter forward for formal board action.



Steele County Statewide Affordable Housing Aid

**Request for Proposals
2026-27 Projects**

Proposal Deadline: September 1, 2025

.....
Available through the Minnesota Department of Revenue's Statewide Affordable Housing Aid

Managed by Steele County Administration
630 Florence Avenue, PO Box 890
Owatonna, MN 55060
(507) 444-7650
SC.Admin@SteeleCountyMN.gov

Thank you for all you do to support access to affordable housing in our community!

I. Statewide Affordable Housing Aid Program Overview

[Statewide Affordable Housing Aid](#) (SAHA) was authorized in 2023 by the Minnesota Legislature to help counties, Tribal nations, and greater Minnesota local governments develop and preserve affordable housing to keep families from losing housing and to help those experiencing homelessness find housing. Pursuant to [Minn. Stat. 477A.36](#), funds from this aid must be spent on qualifying projects, which include:

- (1) emergency rental assistance for households earning less than 80% of area median income (AMI) as determined by the United States Department of Housing and Urban Development (HUD);
- (2) financial support to nonprofit affordable housing providers in their mission to provide safe, dignified, affordable, and supportive housing;
- (3) the development of market rate residential rental properties, as defined in section [462A.39, subdivision 2](#), paragraph (d), if the relevant unit of government submits with the report required under subdivision 6 a resolution and supporting documentation showing that the area meets the requirements of to Minnesota Housing a resolution and supporting documentation showing that the area meets the requirements of section [462A.39, subdivision 4](#), paragraph (a);
- (4) projects designed for the purpose of construction, acquisition, rehabilitation, demolition or removal of existing structures, construction financing, permanent financing, interest rate reduction, refinancing, and gap financing of housing to provide affordable housing to households with incomes which do not exceed, for homeownership projects, 115% of the greater of state or AMI as determined by HUD and, for rental housing projects, 80% of the greater of state or AMI as determined by HUD, except that the housing developed or rehabilitated with funds under this section must be affordable to the local work force;
- (5) financing the operations and management of financially distressed residential properties;
- (6) funding of supportive services or staff of supportive services providers for supportive housing as defined in section [462A.37, subdivision 1](#). Financial support to nonprofit housing providers to finance supportive housing operations may be awarded as a capitalized reserve or as an award of ongoing funding; and
- (7) costs of operating emergency shelter facilities, including the costs of providing services.

Pursuant to [Minn. Stat. 477A.36](#), recipients of this aid must prioritize projects that provide affordable housing to households with incomes that do not exceed, for homeownership projects, 80% of the greater of state or AMI as determined by HUD and, for rental housing projects, 50% of the greater of state or AMI as determined by HUD. Priority may be given to projects that:

- Reduce disparities in home ownership;
- Reduce housing cost burden, housing instability, or homelessness;
- Improve the habitability of homes;
- Create accessible housing; or
- Create more energy- or water-efficient homes.

Additional accessibility requirements are required for projects involving a building with more than four units. More information about qualifying projects and affordability requirements can be accessed here:

- Minnesota Housing Finance Agency, <https://www.mnhousing.gov/local-government.html>
- Minnesota Department of Revenue, <https://www.revenue.state.mn.us/statewide-affordable-housing-aid>

II. Applicant Eligibility and Selection Criteria

This RFP serves as a solicitation for project proposals to distribute Steele County's SAHA funding. The County encourages proposals for qualifying projects that align with affordability requirements of the program and create lasting positive impacts on affordable housing accessibility in the County. The four cities of Blooming Prairie, Ellendale, Owatonna, and Medford are eligible to apply.

Preference will be given to proposals that show promise in fulfilling the following selection priorities:

- **Capacity:** resources, experience, and ability to successfully implement the project.
- **Feasibility:** realistic project timeline, budget, and implementation plan for successful execution.
- **Collaboration:** partnerships with community organizations addressing local housing priorities.
- **Support:** backing from residents and stakeholders directly impacted by the project.
- **Equity:** commitment to addressing housing disparities and inequities in homeownership.
- **Impact:** directly delivering benefits to residents with measurable outcomes.
- **Cost-Effectiveness:** efficient use of resources to maximize overall impact of the funding.
- **Sustainability:** lasting impacts on affordable housing that are financially viable long-term.

III. Available Funding

The Minnesota Department of Revenue certifies SAHA amounts for eligible Tribal nations, counties, and cities by August 1 each year. Certification is based on current laws, including any changes from the most recent legislative session. Steele County's certified aid amounts are as follows:

- 2023: **\$119,261** (paid as one installment on December 26, 2023)
- 2024: **\$119,261** (paid as two equal installments, on July 20, 2024 and December 26, 2024)
- 2025: **\$50,532** (to be paid as two equal installments, on July 20, 2025 and December 26, 2025)
- 2026: *unknown (to be announced on August 1, 2025)*

Applicants should carefully consider these funding amounts and distribution timelines when preparing their proposals. While SAHA is intended to continue indefinitely, funding amounts may fluctuate from year to year based on legislative decisions.

Additionally, SAHA funds must be spent by December 31 in the third year after the aid was received. However, funds will be considered spent if they are committed to a qualifying project by this deadline and expended by December 31 of the fourth year. Any unspent funds must be returned to the State.

The primary objective of this funding cycle is to identify projects that will be implemented in 2026 and/or 2027 that will effectively utilize Steele County's 2023 SAHA before the deadline. These funds must be *committed* to qualifying projects by December 31, 2026, and fully expended by December 31, 2027. Proposals may request a portion or the full amount of the 2023 funds and may also outline plans for incorporating SAHA funding received in other years into a long-term project plan.

Funding is not guaranteed for all eligible applicants, and awards may be adjusted at the discretion of the Steele County Board of Commissioners.

IV. Application Review and Awarding of Funds

Applications will be reviewed by the Steele County Board of Commissioners during a Board Work Session. The information provided on this application will be used to determine the allocation of taxpayer dollars. Incomplete or inaccurate information may result in the County being unable or unwilling to grant the

funding request. Final funding decisions will be made during a regularly scheduled Board Meeting. All applicants will be notified within one week of the Board's decision.

Award letters and agreements will be sent to awardees following the Board's decision. Funding will be distributed a lump sum payment, based on documentation submitted in the proposal.

V. Reporting

Awardees must report on the utilization and outcomes of the award to the Steele County Board of Commissioners annually by the last regularly scheduled Board Meeting in November. Award recipients may be contacted by Steele County staff to provide additional progress updates during the project.

Starting in 2025, the County must submit a report to the Minnesota Housing Finance Agency every year by December 1. The report must include documentation of the following:

- Certification that the aid recipient will use the aid funds to supplement and not supplant its existing locally-funded housing expenditures
- Qualifying projects completed or planned with the funds
- Location of unspent funds
- Inability to spend on a qualifying project prior to the deadline (if funds deposited into a local housing trust fund)
- Accessibility requirements (for projects of four or more units)
- Relevant resolution and certifications for market rate developments in non-metropolitan communities
- Relevant documentation of locally-funded housing expenditures in prior years, including public notice requirements

Award recipients are required to collaborate with the County to provide relevant information and documentation about project expenditures to ensuring accuracy and completeness of this report.

VI. Timeline

- **June 15, 2025:** Application opens for 2026-27 project proposals, with the intent of committing and/or utilizing at least Steele County's 2023 SAHA funds for project implemented in 2026 and/or 2027. Materials can be found on the Steele County website.
- **July 2025:** Information/Q&A session.
- **September 1, 2025:** Deadline for 2026-27 project proposals.
- **September – November 2025:** An internal committee of Steele County staff will review proposals and discuss funding recommendations with the Steele County Board of Commissioners during Work Sessions. Applicants may be requested to present additional information about their proposal during Board Work Sessions and/or Board Meetings.
- **November 2025:** Award announcement. All applicants will be notified of the Board's decision.
- **January 1, 2026:** Lump sum payment disbursed to award recipients.
- **January 1, 2026 – December 31, 2027:** Project implementation period.

This timeline is preliminary. If no viable projects meeting SAHA affordability and statutory requirements are identified, the RFP may be reopened to solicit additional or revised proposals.

A. Applicant Information

Legal Name of Applicant	Primary Contact
Address	City, State, Zip
Email	Phone

1. Please provide an overview of your city government and departments/committees involved in this project (e.g., Economic Development Authority, Planning & Zoning). Include the city's mission, history, relevant demographic information, key staff, experience in affordable housing projects, and any other key details regarding affordable housing in Steele County.

B. Project Narrative

1. Please indicate which qualifying project(s) this funding would support (select all that apply):

- ☐ Emergency rental assistance for households earning less than 80% of area median income (AMI) as determined by the United States Department of Housing and Urban Development (HUD)
- ☐ Financial support to nonprofit affordable housing providers in their mission to provide safe, dignified, affordable, and supportive housing
- ☐ Development of market rate residential rental properties in eligible areas.
- ☐ Construction, acquisition, rehabilitation, demolition or removal of existing structures, construction financing, permanent financing, interest rate reduction, refinancing, or gap financing of housing for **homeownership projects** ($\leq 115\%$ AMI as determined by HUD)
- ☐ Construction, acquisition, rehabilitation, demolition or removal of existing structures, construction financing, permanent financing, interest rate reduction, refinancing, or gap financing of housing for **rental housing projects** ($\leq 80\%$ AMI as determined by HUD)
- ☐ Financing the operations and management of financially distressed residential properties.
- ☐ Supportive services funding for supportive services providers for supportive housing
- ☐ Costs of operating emergency shelter facilities and providing services.

2. Please provide an overview of the project that would be supported by this aid, including project goals and objectives; planning and implementation timeline; population(s) served according to SAHA eligibility criteria; and key staff, consultants, or contractors involved. **Please attach a comprehensive Project Implementation Plan with your application submission.**

3. Please describe how this project meets the affordability and statutory requirements outlined in the SAHA guidelines. Specifically explain how this aid would *supplement* rather than *supplant* existing locally-funded housing expenditures.

4. Please describe key partners and their roles in supporting this project (e.g., nonprofit organizations, housing authorities, social service agencies). Explain how this project complements existing affordable housing efforts in Steele County. **Please attach at least three (3) letters of support from community partners or residents with your application submission.**

5. Please describe how you will engage and involve residents, included those directly impacted by the project. What strategies for outreach, public communication, and gathering community input will you leverage to garner support and align the project with local housing needs and priorities.

6. How will this project address housing disparities and promote equity in homeownership and/or rental housing? What measures will be taken to ensure inclusive and accessible housing for all households within the income thresholds of this aid?

7. What are the intended impacts of this project? Identify measurable outcomes (e.g., reducing housing instability or homelessness, reducing housing disparities or cost burden, increasing access to affordable housing, improve habitability of homes). What baseline data have you gathered to measure progress? Consider how you will track and report project outcomes. **Please attach an Evaluation & Impact Measurement Plan with your application submission.**

C. Funding Request

1. What is your funding request? \$ _____
2. Provide an overview of total project costs, including how the requested funds will be allocated and additional funding sources that will supplement the aid for this project. **Please attach a comprehensive Budget & Funding Plan with your application submission.**

3. What measures have been taken to ensure cost-effectiveness of this project, (e.g., needs assessments, market analyses). How does this project maximize the impact of available funding?

4. How will this project be maintained beyond this aid? Please describe the financial or operational strategies that will ensure sustainability with reliance on ongoing County funding.

Please attach the following documents to this narrative:

- | | |
|---|---|
| ☐ Project Implementation Plan | ☐ Budget and Funding Plan |
| ☐ Evaluation & Impact Measurement Plan | ☐ ☐ ☐ Three (3) Letters of Support |

Authorized Signature

Printed Name

Date Signed

Thank you for all you do to support access to affordable housing in our community!

A. Applicant Information

City of Owatonna

Legal Name of Applicant

Troy Klecker

Primary Contact

540 West Hills Circle

Address

Owatonna, MN 55060

City, State, Zip

Troy.Klecker@owatonna.gov

Email

507-774-7316

Phone

1. Please provide an overview of your city government and departments/committees involved in this project (e.g., Economic Development Authority, Planning & Zoning). Include the city's mission, history, relevant demographic information, key staff, experience in affordable housing projects, and any other key details regarding affordable housing in Steele County.

The City of Owatonna has had a Housing and Redevelopment Authority since the 1990s. The mission of the board is to provide affordable housing within the city. Staff within the Community Development Department do the work of the HRA. The Community Development Director, Troy Klecker, serves as the Director of the HRA and oversees a Housing Manager, Ghassan Madkour and a Housing Specialist, Kim Stewart. Community Development Manager, Greg Kruschke, and Community Development Specialist, Emma Bransford, will also be assisting on the development of his project. Members of the Community Development staff have been involved in affordable housing projects for the City over the last 14 years and has included running Federal and State voucher programs and developing tax credit workforce housing projects.

The City of Owatonna serves on the United Way of Steele County's Affordable Housing Action team. This committee received a commitment of funding from an appropriations grant from Senator's Klobuchar and Smith in 2024. Since then, a sub-committee, lead by United Way of Steele County in partnership with the City of Owatonna, Habitat for Humanity, Three Rivers Community Action, and a local builder, have been working on this land acquisition project, to build 10 single family, affordable homes, in Owatonna.

B. Project Narrative

1. Please indicate which qualifying project(s) this funding would support (select all that apply):
 - ☐ Emergency rental assistance for households earning less than 80% of area median income (AMI) as determined by the United States Department of Housing and Urban Development (HUD)
 - ☐ Financial support to nonprofit affordable housing providers in their mission to provide safe, dignified, affordable, and supportive housing

- ☐ Development of market rate residential rental properties in eligible areas.
 - x Construction, acquisition, rehabilitation, demolition or removal of existing structures, construction financing, permanent financing, interest rate reduction, refinancing, or gap financing of housing for homeownership projects ($\leq 115\%$ AMI as determined by HUD)
 - ☐ Construction, acquisition, rehabilitation, demolition or removal of existing structures, construction financing, permanent financing, interest rate reduction, refinancing, or gap financing of housing for **rental housing projects** ($\leq 80\%$ AMI as determined by HUD)
 - ☐ Financing the operations and management of financially distressed residential properties.
 - ☐ Supportive services funding for supportive services providers for supportive housing
 - ☐ Costs of operating emergency shelter facilities and providing services.
2. Please provide an overview of the project that would be supported by this aid, including project goals and objectives; planning and implementation timeline; population(s) served according to SAHA eligibility criteria; and key staff, consultants, or contractors involved. **Please attach a comprehensive Project Implementation Plan with your application submission.**

This project is intended to make home ownership possible for low and moderate income persons within Owatonna. United Way of Steele County through our Steele County Housing Coalition and Affordable Housing Action team are addressing the shortage of affordable housing in Steele County, specifically in Owatonna. We are working with landlords, with existing properties, to encourage them to participate in programming such as Section 8, to increase availability of rental properties; however, this does not address the need for single-family homes (home ownership), especially for larger families whose needs are not met by 2 bedroom apartments. The attached proposal is for single family homes, starting with 2 bedrooms; however, with the ability to build out 3 additional bedrooms in the full basement. This would meet the needs of our larger low and moderate income families. In addition, this would create an opportunity for home ownership for families that may never have had this opportunity otherwise.

Since the funding did not become available until almost 2 years after the initial comprehensive Project Implementation Plan was produced, we have had to pivot. Through the partnerships established on the Affordable Housing Action team, city land was identified that could meet this purpose, the Partridge Property, Habitat for Humanity as agreed to build as many of the houses as possible through 2030 when the grant must fully be executed, and Three Rivers Community Action has agreed to manage the application process, including securing gap funding for clients through a variety of programs.

3. Please describe how this project meets the affordability and statutory requirements outlined in the SAHA guidelines. Specifically explain how this aid would *supplement* rather than *supplant* existing locally-funded housing expenditures.

This project aligns directly with the statutory requirements of the Statewide Affordable Housing Aid (SAHA) program as outlined in Minn. Stat. 477A.36. Specifically, it addresses the following qualifying uses:

- Building affordable single family homes, targeting households earning less than 80% of the Area Median Income (AMI), with a priority focus on those below 50% AMI, in accordance with SAHA's affordability thresholds.
- The project also supports creating accessible housing for families which may otherwise, never be able to achieve homeownership, which are explicitly prioritized under the SAHA program.

Importantly, this aid will supplement—not supplant—existing locally-funded housing expenditures. Steele County and its municipal partners have historically invested in affordable housing through local levy dollars, federal pass-through funds, and community partnerships. However, these resources are limited and often fully allocated to ongoing commitments such as housing vouchers, emergency shelter operations, and maintenance of existing affordable units.

The SAHA funding will allow the County to expand its reach and impact by supporting new or underfunded initiatives that could not otherwise be implemented with current local funding, including allowing capacity-building among nonprofit housing providers, enhancing long-term sustainability and service delivery.

By leveraging SAHA funds in this way, the County ensures that local dollars continue to support core housing functions, while SAHA enables strategic expansion and innovation in addressing housing needs—particularly for underserved and vulnerable populations.

4. Please describe key partners and their roles in supporting this project (e.g., nonprofit organizations, housing authorities, social service agencies). Explain how this project complements existing affordable housing efforts in Steele County. **Please attach at least three (3) letters of support from community partners or residents with your application submission.**

Attached are letters from United Way of Steele County, Two Rivers Habitat for Humanity, and Three Rivers Community Action, all key partners in this project.

United Way of Steele County secured the initial funding and coordinated the collaboration efforts of all partners.

Two Rivers Habitat for Humanity has committed to building a minimum of 1 house per year, with the potential to build more, to help reach our goal of 10 homes, which will be made possible with the land costs being covered, and the assistance of covering permits.

Three Rivers Community Action has agreed to manage the applications process, and assist clients with achieving gap funding to further lower the cost of housing for each.

5. Please describe how you will engage and involve residents, included those directly impacted by the project. What strategies for outreach, public communication, and gathering community input will you leverage to garner support and align the project with local housing needs and priorities.

As part of developing the lots, the project will need to plat property which will require a public hearing and all neighbors within 350 feet of the property will be notified. A public hearing will be held at the Planning Commission and City Council approval will be needed.

During the Environmental Assessment, all community members were notified of the project and given the opportunity to speak out on the project. We have received overwhelming positive comments about the project from the community.

We will continue to keep the community notified as we move further along in the process and will ensure that promotion of each new home is facilitated. We will also be asking community members to help build these homes through Two Rivers Habitat for Humanity.

6. How will this project address housing disparities and promote equity in homeownership and/or rental housing? What measures will be taken to ensure inclusive and accessible housing for all households within the income thresholds of this aid?

This project is designed to directly address housing disparities and promote equity in homeownership by prioritizing access for households historically excluded from stable, affordable housing—particularly those earning less than 80% of the Area Median Income (AMI), with a focus on those below 50% AMI as prioritized by SAHA.

Key strategies to promote equity and inclusion include:

- **Targeted Outreach and Engagement:** The project will partner with culturally competent organizations and community leaders to ensure outreach efforts reach BIPOC households, immigrant families, seniors, individuals with disabilities, and other underserved populations.
- **Inclusive Design and Accessibility:** All housing units developed through this project will meet or exceed accessibility standards, as required by SAHA. Universal design principles will be incorporated to ensure homes are usable by people of all ages and abilities.
- **Equity in Homeownership:** For homeownership components, the project will include financial literacy workshops, down payment assistance, and credit counseling to reduce barriers for first-time homebuyers—especially those from communities with historically low homeownership rates.
- **Data-Driven Equity Monitoring:** The project will track demographic data, income levels, and housing outcomes to measure progress in reducing disparities. These metrics will inform continuous improvement and ensure accountability to equity goals.

By embedding equity into every phase—from planning and outreach to construction and occupancy—this project will create inclusive, accessible housing opportunities that reflect the diverse needs of Steele County residents and advance the goals of the SAHA program.

7. What are the intended impacts of this project? Identify measurable outcomes (e.g., reducing housing instability or homelessness, reducing housing disparities or cost burden, increasing access to affordable housing, improve habitability of homes). What baseline data have you gathered to measure progress? Consider how you will track and report project outcomes. **Please attach an Evaluation & Impact Measurement Plan with your application submission.**

We will increase access to affordable housing by building 10 single family homes in Owatonna.

C. Funding Request

1. What is your funding request? \$ 200,000
2. Provide an overview of total project costs, including how the requested funds will be allocated and additional funding sources that will supplement the aid for this project. **Please attach a comprehensive Budget & Funding Plan with your application submission.**

The engineer's estimate to construct a cul-de-sac so lots can be created is \$726,995. The City has already owns the property. The requested funds would be used to pay contractor costs in constructing the cul-de-sac. The United Way has secured \$300,000 for the project and the City would pay for the remaining amount through the stormwater fund and the HRA.

3. What measures have been taken to ensure cost-effectiveness of this project, (e.g., needs assessments, market analyses). How does this project maximize the impact of available funding?

The funds requested will help fill the gap that is needed to complete the project. We are leveraging funds secured by the United Way as well as City funds to complete the project. Our latest housing study shows a need for affordable housing in the community. The City has been able to make some progress with affordable apartments but affordable owner-occupied housing is much tougher to accomplish. It takes partnerships with many organizations to accomplish affordable home ownership. City funds from different areas will be utilized to pay for certain portions of the project such as the stormwater fund paying for stormwater improvements. We will also be looking for other possible partners to help make this project happen.

4. How will this project be maintained beyond this aid? Please describe the financial or operational strategies that will ensure sustainability with reliance on ongoing County funding.

Once the project is complete, single-family homes will be constructed on the lots. The homes will be owned and maintained by the property owners, helping them to be self-sufficient. This project will create 10 affordable homes that will pay taxes, increasing the tax base and increase the home ownership opportunities in Owatonna.

Thank you for all you do to support access to affordable housing in our community!

Please attach the following documents to this narrative:

☐ Project Implementation Plan

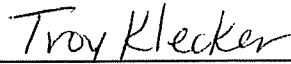
☒ Budget and Funding Plan

☐ Evaluation & Impact Measurement Plan

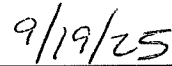
☒ ☒ ☒ Three (3) Letters of Support



Authorized Signature



Printed Name



Date Signed

CITY OF OWATONNA
PARTRIDGE AVENUE SUBDIVISION
WIDSETH PROJECT NO. 2025-10552

WIDSETH

ENGINEERS ESTIMATE - INCLUDING STORMWATER BMP'S

9/14/2025

BID NO.	ITEM NO.	ITEM	TOTAL QTY	UNIT	UNIT PRICE	TOTAL
1	2021.501	MOBILIZATION	1	L.S.	\$35,000.00	\$35,000.00
2	2101.524	CLEARING & GRUBBING	1	L.S.	\$5,000.00	\$5,000.00
3	2104.503	REMOVE CURB & GUTTER	30	LIN FT	\$7.50	\$225.00
4	2104.503	SAWING BITUMINOUS PAVEMENT (FULL DEPTH)	150	LIN FT	\$4.25	\$637.50
5	2104.504	REMOVE BITUMINOUS PAVEMENT	93	SQ YD	\$25.00	\$2,325.00
6	2105.607	COMMON BORROW SPECIAL (CV)	1940	CU YD	\$30.00	\$58,200.00
7	2105.607	EXCAVATION SPECIAL (EXPLORATORY)	8	HR	\$250.00	\$2,000.00
8	2106.507	SELECT GRANULAR EMBANKMENT (CV) - 12"	606	CU YD	\$25.00	\$15,150.00
9	2106.507	SELECT GRANULAR BORROW (LV) - INFILTRATION BASINS	112	CU YD	\$32.00	\$3,584.00
10	2106.507	COMMON EXCAVATION (P)	3550	CU YD	\$12.50	\$44,375.00
11	2106.507	COMMON EXCAVATION (STORMWATER POND)	502	CU YD	\$22.00	\$11,044.00
12	2108.504	GEOTEXTILE FABRIC TYPE V	1730	SQ YD	\$2.65	\$4,584.50
13	2211.509	AGGREGATE BASE CLASS II MODIFIED	155	TON	\$28.00	\$4,340.00
14	2211.509	AGGREGATE BASE CLASS V - 12"	980	TON	\$21.50	\$21,070.00
15	2360.509	TYPE SP 9.5 WEARING COURSE MIX (3,C) - 2"	184	TON	\$123.00	\$22,632.00
16	2360.509	TYPE SP 12.5 NON-WEARING COURSE MIX (3,B) - 2"	184	TON	\$115.00	\$21,160.00
17	2451.609	GRANULAR BEDDING	190	TON	\$15.00	\$2,850.00
18	2501.502	15" RC PIPE APRON	1	EACH	\$1,500.00	\$1,500.00
19	2502.503	4" PERF PVC PIPE DRAIN	710	LIN FT	\$15.00	\$10,650.00
20	2502.602	4" PVC PIPE DRAIN CLEANOUT	2	EACH	\$250.00	\$500.00
21	2503.503	12" RC PIPE SEWER DES 3006 CL V	35	LIN FT	\$60.00	\$2,100.00
22	2503.503	15" RC PIPE SEWER DES 3006 CL V	153	LIN FT	\$62.00	\$9,486.00
23	2503.601	MAINTENANCE OF SANITARY SEWER	1	L.S.	\$5,000.00	\$5,000.00
24	2503.602	CONNECT TO EXISTING MANHOLES (SAN)	1	EACH	\$3,500.00	\$3,500.00
25	2503.602	8" X 4" PVC WYE	6	EACH	\$500.00	\$3,000.00
26	2503.602	4" CLEAN-OUT ASSEMBLY	6	EACH	\$550.00	\$3,300.00
27	2503.603	4" PVC SANITARY SEWER PIPE	265	LIN FT	\$140.00	\$37,100.00
28	2503.603	SANITARY SEWER INSPECTION	283	LIN FT	\$4.50	\$1,273.50
29	2503.603	8" PVC PIPE SEWER (SDR 35)	283	LIN FT	\$60.00	\$16,980.00
30	2504.602	INSTALL WATER SERVICE SYSTEM (1")	6	EACH	\$2,250.00	\$13,500.00
31	2504.602	CONNECT TO EXISTING WATER MAIN	1	EACH	\$2,750.00	\$2,750.00
32	2504.602	HYDRANT	1	EACH	\$8,500.00	\$8,500.00
33	2504.602	ADJUST VALVE BOX	1	EACH	\$625.00	\$625.00
34	2504.602	6" GATE VALVE & BOX	1	EACH	\$3,750.00	\$3,750.00
35	2504.602	8" GATE VALVE & BOX	1	EACH	\$4,750.00	\$4,750.00
36	2504.603	6" WATER MAIN	10	LIN FT	\$77.00	\$770.00
37	2504.603	8" WATER MAIN	280	LIN FT	\$80.00	\$22,400.00
38	2504.608	DUCTILE IRON FITTINGS	150	LB	\$18.00	\$2,700.00
39	2506.502	CONSTRUCT DRAINAGE STRUCTURE 2'X3'	1	EACH	\$3,900.00	\$3,900.00
40	2506.502	CONSTRUCT DRAINAGE STRUCTURE DESIGN SD-48	1	EACH	\$3,900.00	\$3,900.00
41	2506.502	CONSTRUCT DRAINAGE STRUCTURE DESIGN 48-4020	2	EACH	\$3,750.00	\$7,500.00
42	2506.502	ADJUST FRAME & RING CASTING	4	EACH	\$1,350.00	\$5,400.00
43	2506.602	DENSITY TESTING IN TRENCHES	1	L.S.	\$4,000.00	\$4,000.00
44	2506.602	CONSTRUCT SANITARY MANHOLE	2	EACH	\$4,750.00	\$9,500.00
45	2506.603	CONSTRUCT SANITARY MANHOLES	6	LIN FT	\$350.00	\$2,100.00
46	2511.507	RANDOM RIPRAP CLASS III	3.5	CU YD	\$115.00	\$402.50
47	2521.618	SIDEWALK (INCLUDES 4" & 6")	3520	SQ FT	\$9.50	\$33,440.00
48	2531.503	CONCRETE CURB AND GUTTER DESIGN B624	662	LIN FT	\$32.00	\$21,184.00
49	2531.618	TRUNCATED DOMES	32	SQ FT	\$100.00	\$3,200.00
50	2563.601	TRAFFIC CONTROL	1	L.S.	\$3,000.00	\$3,000.00
51	2564.502	INSTALL SIGN PANEL (INCLUDING SIGN POST)	2	EACH	\$275.00	\$550.00
52	2564.618	SIGN PANEL	12.5	SQ FT	\$58.00	\$725.00
53	2573.501	STABILIZED CONSTRUCTION EXIT	1	EACH	\$750.00	\$750.00
54	2573.501	EROSION CONTROL SUPERVISOR	1	L.S.	\$2,500.00	\$2,500.00
55	2573.502	STORM DRAIN INLET PROTECTION	5	EACH	\$200.00	\$1,000.00
56	2573.503	SILT FENCE, TYPE MS	1300	LIN FT	\$3.25	\$4,225.00
57	2573.503	SEDIMENT CONTROL LOG TYPE WOOD FIBER	100	LIN FT	\$10.00	\$1,000.00
58	2574.508	FERTILIZER TYPE 3	585	LB	\$1.10	\$643.50
59	2574.507	COMMON TOPSOIL BORROW (LV)	115	CU YD	\$32.00	\$3,680.00
60	2575.504	ROLLED EROSION PREVENTION CATEGORY 25	3670	SQ YD	\$2.15	\$7,890.50
61	2575.505	SEEDING	1.67	ACRE	\$1,300.00	\$2,171.00
62	2575.505	SEEDING (SOUTHERN BOULEVARD)	270	LB	\$5.25	\$1,417.50
63	2575.560	HYDRAULIC MULCH MATRIX	3500	LB	\$1.75	\$6,125.00



We build strength, stability, self-reliance and shelter.

16 September 2025

City of Owatonna
Attn: Troy Klecker
540 West Hills Circle
Owatonna, MN 55060

RE: Letter of Support for the Partridge Project – Affordable Housing Land Acquisition

Dear Troy,

On behalf of Two Rivers Habitat for Humanity, I am writing to express our strong support for the Affordable Housing Land Acquisition initiative currently under development in collaboration with the City of Owatonna.

As a nonprofit builder of affordable housing, we work to create safe, stable, and affordable homes. Each year, we see firsthand the growing gap between working household incomes and the cost of owning a home. The Partridge Project directly addresses this gap by securing property for future development, ensuring that land is preserved and prepared for affordable homeownership opportunities for households earning below 80% of the area median income.

This initiative also meets SAHA's emphasis on reducing housing disparities, expanding access to affordable homeownership, and creating energy-efficient, accessible housing. With Habitat's experience in volunteer-driven construction, sustainable building practices, and long-term homeowner support, we are prepared to be an active partner in the realization of this project.

We urge Steele County to invest SAHA funds in this project. Doing so will leverage Federal resources already secured, amplify community partnerships, and create lasting positive impact for generations of families in our region.

Thank you for your consideration and for your commitment to equitable housing development. We look forward to continued collaboration with the City of Owatonna, Steele County, and other nonprofit partners in making this project a reality.

With Regard,

A handwritten signature in blue ink, appearing to read "T.R. Smith", with a stylized flourish at the end.

Terry R. Smith
Executive Director/President
Two Rivers Habitat for Humanity



September 11, 2025

To: City of Owatonna
Attn: Troy Klecker
540 West Hills Circle
Owatonna, MN 55060

RE: Letter of Support for Affordable Housing Land Acquisition Project

Dear Troy,

On behalf of United Way of Steele County, I am writing to express our full support for the Affordable Housing Land Acquisition project currently under development in collaboration with the City of Owatonna. This initiative represents a critical step forward in addressing the pressing need for affordable single-family housing in Steele County.

We are proud to lead this effort alongside the City of Owatonna and are deeply grateful for the funding awarded by Senator Amy Klobuchar and Senator Tina Smith to support this project. Their commitment to expanding housing opportunities in Greater Minnesota is commendable and aligns with our shared vision of creating safe, dignified, and affordable homes for working families and individuals in our community.

While the federal funding we received is a significant catalyst, it is not sufficient to fully build out the designated property for this initiative. To ensure the success and sustainability of this project, we respectfully request additional financial support from Steele County through the Statewide Affordable Housing Aid (SAHA) program. The County's investment will not only leverage existing resources but also demonstrate a unified commitment to equitable housing development and long-term community impact.

This project directly aligns with the priorities outlined in the SAHA RFP, including reducing housing disparities, increasing access to affordable homeownership, and creating energy-efficient and accessible housing for households earning below 80% of the area median income. Our implementation plan includes robust community engagement, strategic partnerships, and measurable outcomes that will ensure transparency, accountability, and meaningful results.

We appreciate the City of Owatonna's leadership and partnership in this endeavor and look forward to continued collaboration with Steele County to bring this vision to life. Together, we can make a lasting difference in the lives of families across our region.

Thank you for your consideration and support.

Sincerely,

A handwritten signature in black ink, appearing to read "Annette Duncan", with a long horizontal flourish extending to the right.

Annette Duncan
President

UNITED IS THE WAY™



September 12, 2025

To: City of Owatonna
Attn: Troy Klecker
540 West Hills Circle
Owatonna, MN 55060

RE: Letter of Support for Affordable Housing Land Acquisition Project

Dear Troy,

On behalf of Three Rivers Community Action, I am writing to express our full support for the Affordable Housing Land Acquisition project currently under development with the City of Owatonna. This initiative represents a critical step forward in addressing the pressing need for affordable single-family housing in Steele County.

Quality, affordable housing provides families with a safe, healthy place to live and the financial stability of building equity. Beyond substantial impacts to families purchasing homes, an appropriate supply of housing contributes to community growth, expands the tax base, supports a strong local workforce, and fuels the local economy.

As you know, the United Way of Steele County and the City of Owatonna collaborated to secure a Congressional funding award for this project with the support of Senator Amy Klobuchar and Senator Tina Smith. Other project partners include Habitat for Humanity and Three Rivers Community Action.

Please give full consideration to investing in the project with Steele County's Statewide Affordable Housing Aid (SAHA) program allocation. The County's investment will not only leverage existing resources but also demonstrate a unified commitment to housing development.

Three Rivers Community Action is committed to fully engaging for the success of this project and hope that Steele County can join our efforts.

Thank you,

Laura Helle
Director of Housing and Homeownership
507-226-6083
lhelle@threeriverscap.org

Administrative Office

1414 Northstar Drive
Zumbrota, MN 55992
Phone: 507-316-0610
Toll Free: (800) 277-8418
Fax: (507) 933-4481
www.threeriverscap.org
TTY: MN Relay Service:
1-800-627-3529

Faribault Office

1810 30th Street NW
Faribault, MN 55021

Plainview Office

55049 241st Avenue
Plainview, MN 55964

Rochester Office

1926 College View Road E
Suite 1302
Rochester, MN 55904

Wabasha Office

611 Broadway Avenue
Suite 120
Wabasha, MN 55981



Steele County Agenda Item

Request for Board Action

Subject: Amended Ordinance #42 Regulating Cannabis Businesses

Department: Public Health

Committee: Choose an item.

Committee Meeting Date: Enter a date.

Work Session Date: October 28, 2025

Board Meeting Date: October 28, 2025

Consent Agenda: ☐ Yes ☒ No

Resolution: ☐ Yes ☒ No

Policy Committee Recommendation:

n/a

Recommendation:

Following a Public Hearing, approve the amended Ordinance #42 Regulating Cannabis Businesses.

Background (*Including Budget Impact*):

The Office of Cannabis Management (OCM) required Hemp-Derived Cannabinoid Product (HDCP) retailers licensed under Minn. Stat. 151.72 to register by August 31, 2025, in order to convert their HDCP license to a Lower-Potency Hemp Edible (LPHE) retailer license under the new cannabis statute (Minn. Stat. 342). These registered retailers must apply for LPHE licenses by October 31, 2025. Additionally, retailers that did not previously hold HDCP licenses may apply for LPHE licenses during this timeframe.

Due to the impacts of cannabis use on youth health and the impacts of outlet density on youth access, County staff recommend updating Steele County's ordinance to strengthen restrictions on time, place, and manner of how cannabis and hemp product can be sold. These updates intent to strike a balance between protecting youth from access and exposure to these products, taking a cautious approach as the County builds the capacity to register these businesses and conduct compliance checks, and support local businesses that already have strong age restrictions in place.

The proposed amendments to Ordinances #42 include the following changes in Section 3:

- 1) Limiting sales to retailers that prohibit anyone under 21 from entering at all times, with the exception of beverages sold for on-site consumption in licensed food and beverage establishments with a valid on-sale liquor license.
 - a. Retailers seeking a license after the August 31, 2025, OCM registration deadline must follow the same buffer restrictions as adult-use cannabis retailers.
 - b. To support established local businesses with strong protections against youth access and exposure, retailers registered with OCM by August 31, 2025, are exempt from these buffer requirements.
- 2) Reiterating sections of Minn. Stat. 342 related to legal age of consumption, age verification, minimum clerk age, and packaging & labeling requirements.
- 3) Strengthening time, place, and manner restrictions in alignment with Public Health Law Center recommendations and Steele County's Ordinance 26 regarding tobacco sales:
 - a. Prohibiting the sale of cannabis and hemp products through vending machines, self-service displays, at a moveable place of business, or by delivery sales.
 - b. Prohibiting smoking, sampling, and on-site consumption of cannabis and hemp products (with an exception for licensed food and beverage establishments)
 - c. Prohibiting the sale of products that are attractive to underage persons

If the Board supports the recommended limitation on the sale of low potency hemp, recommend calling for a public hearing on November 13th, 2025.

Pending no objections at the Public Hearing on November 13th, County staff recommend approving these amendments to ensure LPHE retailers and products are regulated with similar caution and intentionality as adult-use cannabis. This approach promotes public health and safety, reduces youth substance use and exposure, and gives the County time to adjust to the new local registration and compliance responsibilities, which did not exist for HDCCP retailers.

Attachments:

OCM's Hemp Registration to License Holder Conversion Guide (pages 4 & 5)

OCM's Hemp Businesses in Minnesota Guide (pages 6 & 11)

Cannabis Fact Sheet

LPHE Retailers in Steele County

Effects of Amended Ordinance No. 42 on Registered Retailers

Registered Retailers Density Maps

DRAFT Amended Ordinance No. 42 Regulating Cannabis Businesses

Transition Process for Hemp Registrants

Hemp registrants must apply for an LPHE license based on their activities and products.

Businesses registered to sell hemp-derived cannabinoid products under Minnesota Statutes, section 151.72 may continue operations during the interim period before the October application window and while their license application(s) are under review.

Once licensed, all LPHE license holders must comply with chapter 342, including requirements to source LPHEs from licensed lower-potency hemp edible manufacturers (LPHE-M) and cannabis businesses, or imported from out-of-state by either a cannabis wholesaler or a lower-potency hemp edible wholesaler (LPHE-W) license holder. Businesses currently operating under the hemp registration and applying for a cannabis business license must comply with chapter 342—including as it relates to LPHEs—immediately upon obtaining their license.

Hemp registrants should apply when OCM opens applications for LPHE licenses on October 1, 2025. The registrant will be permitted to sell for 30 days after the license application window opens. **At the close of the initial LPHE license application period, OCM will begin enforcement actions against unlicensed sellers of hemp-derived cannabinoid products who have not submitted an LPHE license application, are not in the application process for a cannabis business license or have not successfully obtained a cannabis business license.** After the LPHE license application window closes, hemp businesses who do not have a pending LPHE application will no longer be permitted to sell hemp-derived cannabinoid products under Minnesota Statutes, section 151.72.

During the application process for LPHE licensing, pre-licensure inspections will not be required for registered hemp retailers who have already undergone an inspection as part of their registration. However, lower-potency hemp edible manufacturer (LPHE-M), lower-potency hemp edible retailer (LPHE-R), and lower-potency hemp edible wholesaler (LPHE-W) applicants who are not currently registered may be required to complete a pre-licensure review and/or site inspection before obtaining their license. While a pre-licensure inspection may not be required, nothing limits the office's ability to conduct inspections of businesses as provided by law.

Steps to Stay in Compliance



Step 1. Determine the appropriate license type

Assess your business activities and decide whether to apply for a lower-potency hemp edible retail license (LPHE-R), a lower-potency hemp edible manufacturing license (LPHE-M), a lower-potency hemp edible wholesaler license (LPHE-W), or a combination of the above.



Step 2A. For LPHE license applicants

If you plan to apply for an LPHE license, prepare for the application period. Applications for LPHE-R, LPHE-M, and LPHE-W licenses will be accepted from October 1 to October 31, 2025. Ensure you have all necessary documentation ready and remain in good standing with the state of Minnesota and OCM. Your business must not have any outstanding fines or correction orders.

For those planning to obtain a lower-potency hemp edible retailer license and sell LPHEs, you must also obtain a local retail registration directly from your local government. Prepare now by engaging with your local government about their requirements to apply for a local retail registration.



Step 2B. For cannabis business license applicants

If you determined that a cannabis business license is the best fit, you should apply during a cannabis licensing round. If you missed the application window earlier in 2025, future licensing rounds may be available.

Once licensed, cannabis business license holders must immediately comply with chapter 342.



Step 3. Avoid enforcement actions

Failure to submit an application by the close of the LPHE application period in fall 2025 will result in compliance enforcement actions against your business if sales continue.



Step 4. Understand the regulatory transition

Hemp registrants may continue operating under section 151.72 until officially licensed by OCM. Once licensed, they must comply with chapter 342, including—but not limited to—sourcing products from licensed manufacturers (LPHE-M, and cannabis businesses) and using authorized wholesalers (LPHE-W or cannabis wholesaler) if importing LPHE products from out of state.

Registration Requirements

Under Minnesota Statutes, section 151.72, hemp businesses were required to register with OCM in order to sell hemp-derived cannabinoid products. The registration also provided an option to convert to licensure under the chapter 342 framework.

OCM closed the registration window on August 31, 2025. This temporary window, which opened on June 2, allowed businesses seeking to sell hemp-derived cannabinoid products (HDCPs), including hemp-derived THC beverages, to register with OCM ahead of the busy summer season.

Now that the registration period has ended, OCM is moving to the next phase of implementation under Minnesota's cannabis regulatory framework.

Licensing Timelines

OCM will accept applications for hemp business licenses between October 1 and October 31, 2025. All registered businesses who wish to continue selling LPHEs will be required to apply for a license under [Minnesota Statutes, chapter 342](#).

Under [Minnesota Statutes, section 342.18, subdivision 4](#), a hemp business must have been registered prior to the adoption of rules to qualify for conversion to licensure.

Businesses that were not registered with OCM during the registration period will be eligible to apply for a license starting October 1 as well but will not be able to operate until the license has been issued.

Existing hemp registrants will remain governed by Minnesota Statutes, section 151.72 until licenses from OCM are issued. At that point, all LPHE license holders must operate in compliance with Minnesota Statutes, chapter 342. *To support the launch of the adult-use cannabis market and provide continuity for existing hemp-derived businesses and medical cannabis patients, OCM has authorized a [product transition period](#) through December 31, 2025.*

Local Government Considerations

LPHE license holders must maintain compliance with state and local building, fire, and zoning regulations.

In addition to an OCM-issued license and endorsement, LPHE-R license holders must also obtain a **retail registration** from their local government before the business can begin retail sales. Local governments may charge an initial retail registration fee of up to \$125 per location.

Retail registrations may only be issued by the local government after a business receives a license from OCM, pays the local retail registration fee, and, if applicable, passes any preliminary compliance checks conducted by the local government and is found to be in good standing on any applicable property taxes and assessments.

- Local governments may not limit the number of local retail registrations they issue to LPHE-Rs.
- Local governments may not prohibit the possession, transportation, or use of LPHEs in their jurisdictions.
- Local governments are required to conduct annual compliance and age verification checks of LPHE-Rs with a local retail registration.

([Minnesota Statutes, section 342.22](#))

Applicants/license holders should work directly with local governments to obtain a retail registration.

As businesses prepare to apply for a lower-potency hemp edible retailer licenses during the October 1 – October 31 application window, they are encouraged to begin conversations with local governments **now** to ensure there is a process to obtain a local retail registration after OCM issues the hemp business license. **Applicants should reach out to their local government to ensure mutual understanding of what will be required to obtain a local retail registration in addition to the hemp business license from OCM. It is critical for applicants to ensure timing alignment of the issuance of the license and the local retail registration. If these are not issued at the same time, then the retailer may be forced to temporarily halt sales.**

Cannabis Use Health Impacts

Short Term

- Effects of Cannabis include:
 - Relaxed or “high” feeling
 - Racing heart
 - Slower reaction time
 - Slurred speech
 - Trouble thinking, concentrating, or remembering
 - Temporary confusion, anxiety, panic, or paranoia
- There is limited information on how cannabis interacts with other substances including prescription medications

Long Term

- Cannabis can be addictive
 - 1 in 10 adult users will develop cannabis use disorder
 - People who use cannabis before the age of 18 have a 1 in 6 chance of developing cannabis use disorder
- Cannabis use can worsen mental health conditions and can increase the risk of depression, anxiety, mental health emergencies, paranoia, and psychosis, especially in those predisposed to mental illness.
- One study found there was long term cognitive decline of using cannabis products including decreased verbal memory, processing speed, and executive functions.

Traffic Fatalities

- Evidence from Colorado suggests there was an increase in the number of traffic deaths after the legalization of recreational cannabis.
 - Cannabis related driving fatalities were on a rise prior to legalization.
- Alcohol was still the leading cause of substance use related traffic fatalities in Colorado.

Outlet Density and Community Impacts

Use

- **Teens**

- Evidence is inconclusive on whether there is a correlation between outlet density and teen cannabis use.
- Most evidence suggests outlet density has a higher correlation with older teen use (11th graders) than it does on younger teen use (8th graders)

- **Young Adult (18-30)**

- Evidence shows a correlation between increased outlet density and increased young adult cannabis use.

- **Adult**

- Some evidence to support an increase in outlet density is correlated with an increase in cannabis use.
 - One review found increased access to outlets was correlated with frequent or disordered cannabis use.
 - One study found proximity (measured as a shorter drive) to a cannabis retailer was associated with higher odds of testing positive for cannabis.

Crime

- Evidence is inconclusive on a correlation between outlet density and crime.
 - One study found no correlation between outlet density and crime.
 - A study of a city in Washington found there was only a positive correlation between outlet density and crime in areas of low socioeconomic status.

Traffic Crashes

- Evidence is inconclusive on a correlation between outlet density and traffic crashes.
 - A study in Canada found no association.
 - A review found no correlation between outlet density and crashes.
 - States with cannabis retailers and no cannabis retailers were compared.
 - 2 studies found an increase in traffic crashes in states with sellers.
 - 2 studies found no effect.
 - 1 study found an increase in crashes in Colorado but not in Washington.

LPHE Retailers in Steele County



There is a proposal to limit the sale of LPHE products to retailers that are 21+ establishments (liquor stores, smoke/vape shops, etc.) as well as establishments that meet applicable exemptions (holding an on site consumption liquor license).



The Impact of Proposed Buffer Zones

No Buffer Zones



Corporations

14



Locally Owned

14

Proposed Buffer Zones



Corporations



Locally Owned

500' away from a daycare

11

10

500' away from a park

10

13

500' away from a residential
treatment facility

14

14

1000' school

10

8

1000' school and 500' Park

6

7

1000' school and 500' Park,
Treatment, and Daycare

5

5

500' LPHE Retailer & All
Buffers

1

1

The proposed buffer zone of 500' from another LPHE facility would create the following impacts. Of the already established LPHE establishments 5 not within 500' of another LPHE establishment. This means, the total number of sellers under this restriction would likely be 14, after the rights to sell have been limited to one business in the areas where buffer zones overlap. However, in this situation, it is often a locally owned business competing against a corporation for the right to sell.

When limited to 21+ and exempted retailers, the 500' buffer zone from another LPHE facility leaves 7 establishments that are not within 500' of another LPHE selling business. The likely total of LPHE selling establishments with this ordinance in place would be 11.

The Impact to Existing Businesses

No Buffer Zones

	 Corporations	 Locally Owned
Existing 21+ Businesses	2	7
Existing Businesses with On-Sale Liquor Licenses	2	16

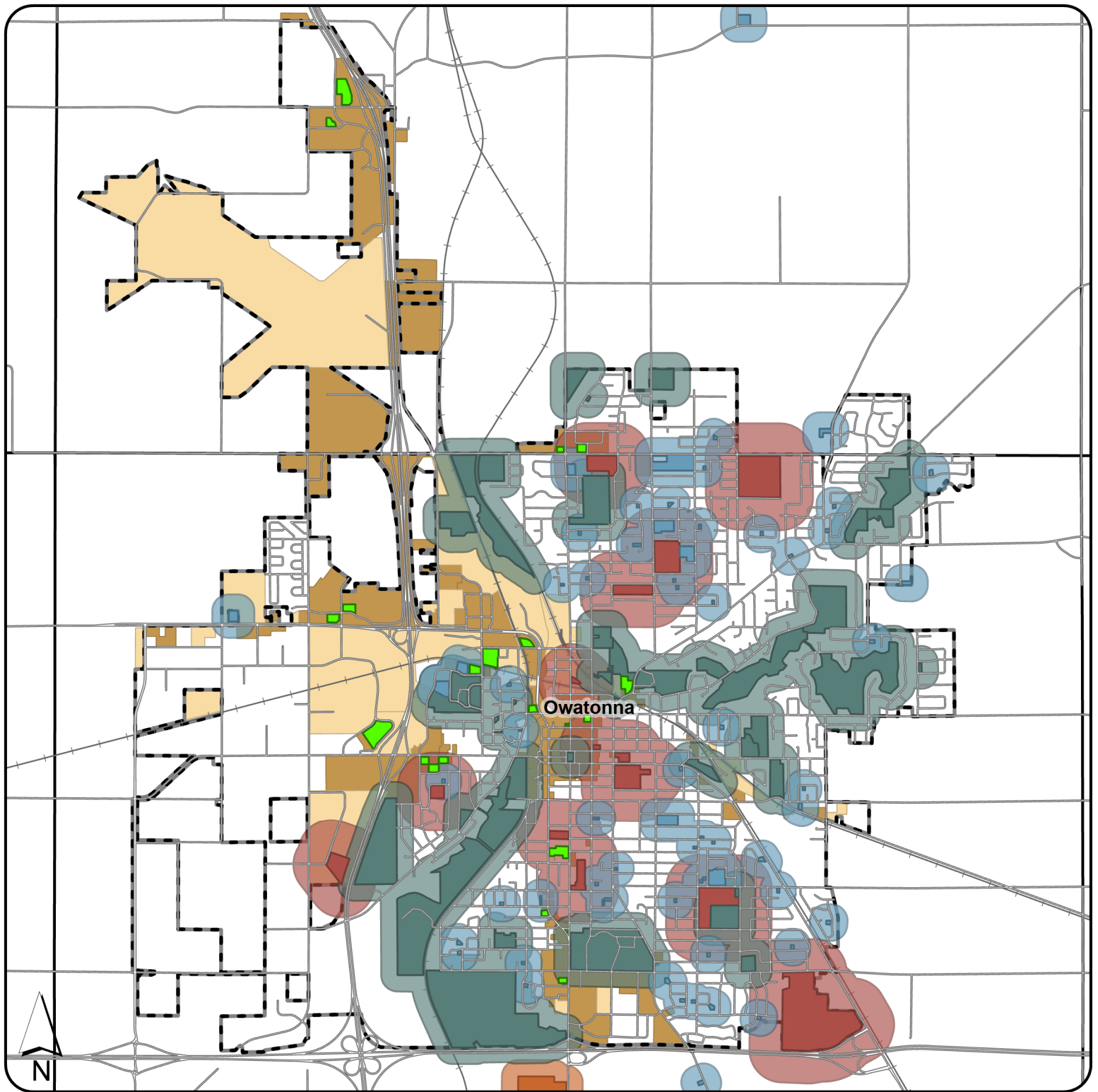
Under Proposed Buffer Zones

			of eligible retailers	
	Eligible	Not Eligible	 Corporations	 Locally Owned
Existing 21+ Businesses	2	7	1*	2*
Existing Businesses with On-Sale Liquor Licenses	1	17	0	1

*There is 1 locally owned business and 1 corporation within 500' of one another. Only one would be able to sell. Of the Existing 21+ Businesses, under the buffer zones, there would either be 1 corporation and 1 locally owned business able to sell to 0 corporations and 2 locally owned businesses able to sell.

			of non-eligible retailers	
	Eligible	Not Eligible	 Corporations	 Locally Owned
Existing 21+ Businesses	2	7	1	6
Existing Businesses with On-Sale Liquor Licenses	1	17	2	15

Business Name	Business Type	Eligibility	Address	Parcel ID	Town	Total Retailers	38	
Circle K (Holiday #373)	Convenience	No	695 Bridge St W	17-418-0201	Owatonna	Eligible (21+)	10	
Circle K (Holiday #519)	Convenience	No	330 W NORTH ST	17-643-0101	Owatonna			
Fast Lane	Convenience	No	590 State Ave	17-302-0408	Owatonna			
KWIK TRIP #1088	Convenience	No	410 HOFFMAN DR.	17-609-0101	Owatonna	Total Eligible		14
KWIK TRIP #237	Convenience	No	135 LANDMARK DR. NE	17-574-0805	Owatonna	Online Store/Priv;	10	
KWIK TRIP #403	Convenience	No	2270 NW 46TH ST.	17-518-0102	Owatonna			
KWIK TRIP #435	Convenience	No	1075 W. FRONTAGE RD.	17-581-0204	Owatonna	Other Ineligible		14
KWIK TRIP #641	Convenience	No	1220 S. OAK AVE.	17-183-0106	Owatonna	Total Ineligible		24
KWIK TRIP #806	Convenience	No	320 MINERAL SPRINGS RD.	17-622-0101	Owatonna			
Owatonna Fuel & Food (Marathon)	Convenience	No	401 N Cedar Ave	17-104-0101	Owatonna			
Cash Wise Foods	Grocery	No	495 W North St	17-669-0101	Owatonna			
Fareway	Grocery	No	831 Oak Avenue South	17-626-0101	Owatonna			
Target Store T1068	Grocery	No	301 Park Dr.	17-338-0201	Owatonna			
23rd State	Online/Priv Res	No	202 N CEDAR AVE, STE 1	17-100-0904	Owatonna			
MN Relief Co. LLC	Online/Priv Res	No	202 N CEDAR AVE, STE 1	17-100-0904	Owatonna			
N H Corp	Online/Priv Res	No	202 N CEDAR AVE, STE 1	17-100-0904	Owatonna			
Next Level Dispensary	Online/Priv Res	No	770 25TH ST NE	17-588-0104	Owatonna			
NiceDeeler LLC	Online/Priv Res	No	202 N CEDAR AVE, STE 1	17-100-0904	Owatonna			
On Cloud 9	Online/Priv Res	No	202 N CEDAR AVE, STE 1	17-100-0904	Owatonna			
Slifer Supply Co. L.L.C.	Online/Priv Res	No	202 N CEDAR AVE, STE 1	17-100-0904	Owatonna			
Sprout LLC	Online/Priv Res	No	202 N CEDAR AVE, STE 1	17-100-0904	Owatonna			
The Bake Shoppe	Online/Priv Res	No	311 S MAIN ST	16-101-0517	Medford			
The Land of 10K Buds	Online/Priv Res	No	131 LINCOLN AVE	17-010-2315	Owatonna			
GNC 9625	Other	No	1100 West Frontage Road	17-534-0101	Owatonna			
218 Off Sale	Liquor	Yes	419 Highway Ave S	14-036-1015	Blooming Prairie			
Cash Wise Liquor	Liquor	Yes	495 W North St	17-669-0101	Owatonna			
Firehouse Liquor	Liquor	Yes	120 26th St. NW	17-591-0112	Owatonna			
KWIK SPIRITS #1088	Liquor	Yes	410 HOFFMAN DR.	17-609-0101	Owatonna			
BP Tavern & Offsale	Liquor/Bar	Yes	340 E Main St	14-100-0819	Blooming Prairie			
Cekoo Tobacco	Tobacco	Yes	1836 S Cedar Ave	17-021-1106	Owatonna			
Medford Tobacco Plus	Tobacco	Yes	2350 43rd St NW # 101	17-576-0104	Owatonna			
OT Smoke Shop Plus	Tobacco	Yes	1100 Frontage Road W Suite 110	17-534-0101	Owatonna			
Owatonna Smoke N Vape	Tobacco	Yes	1407 S Oak Avenue	17-138-0001	Owatonna			
Owatonna Smoke Shop	Tobacco	Yes	641 W Bridge Street	17-427-0101	Owatonna			
Bunkies Grille and Lanes	Bar/Recreation	Yes*	311 east main st	14-100-1309	Blooming Prairie			
Inside Swing LLC	Bar/Recreation	Yes*	685 w bridge st #5	17-418-0203	Owatonna			
Grapeful LLC	Bar/Restaurant	Yes*	306 N Cedar Ave Ste #2	17-100-1902	Owatonna			
Owatonna Eagles 1791	Bar/Restaurant	Yes*	141 East Rose Street	17-100-2016	Owatonna			



Steele County Cannabis Ordinance

City of Owatonna : Map 1

Daycare: All facilities registered with MN DHS as a Child Care Center or Family Child Care.

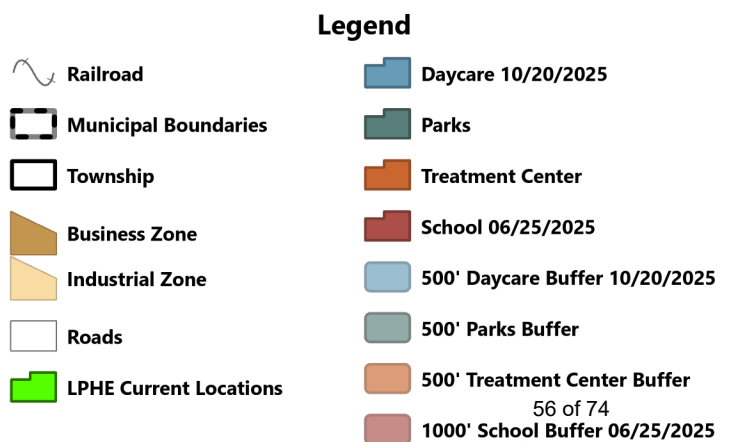
Parks: All public parks and athletic fields/facilities.

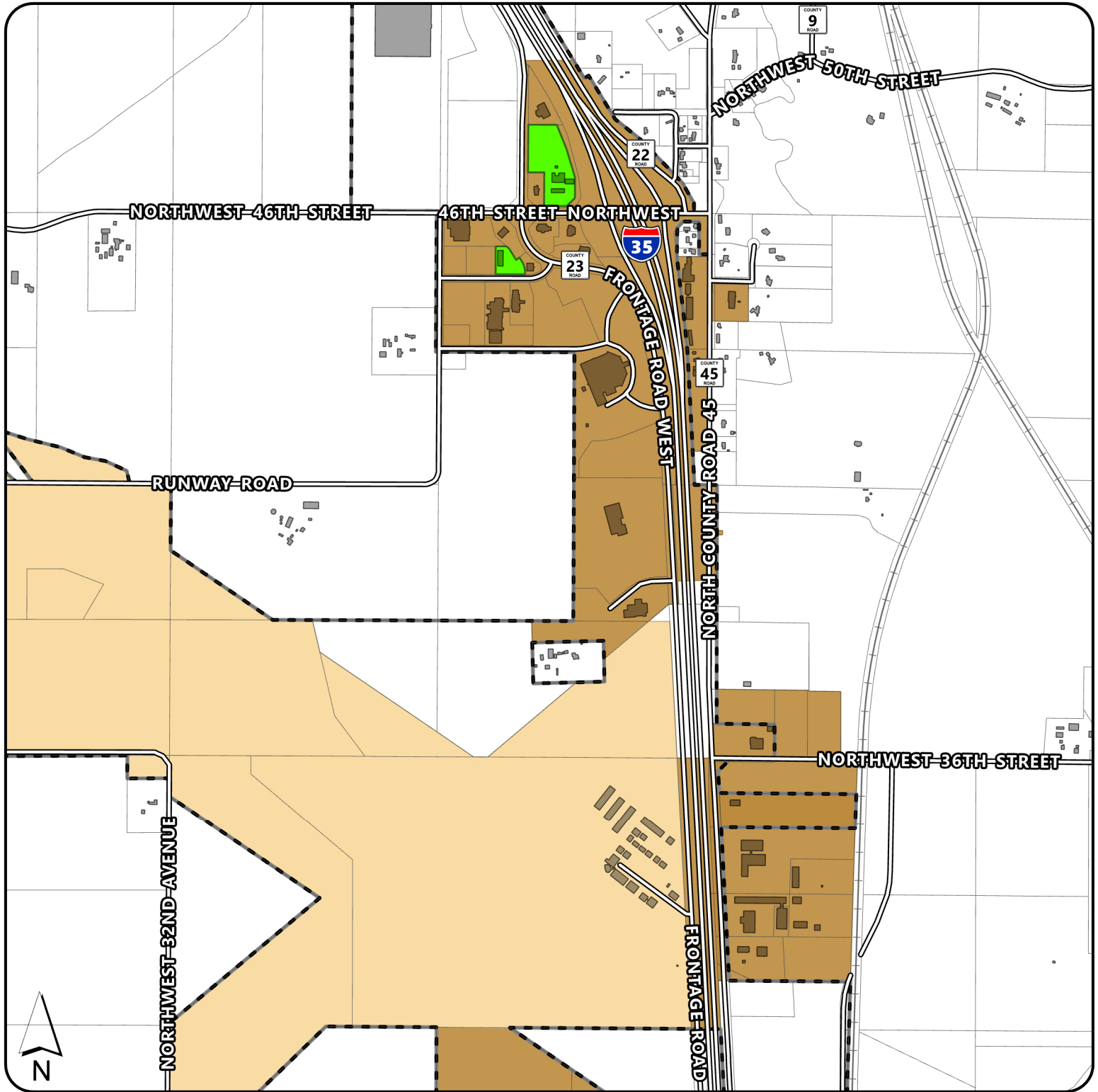
Treatment Center: All residential treatment centers registered with MN DHS.

School: All public, non-public, charters, or colleges registered with MDE.

Steele County GIS:
10/20/2025

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Miles





Steele County Cannabis Ordinance

City of Owatonna : Map 2

Daycare: All facilities registered with MN DHS as a Child Care Center or Family Child Care.

Parks: All public parks and athletic fields/facilities.

Treatment Center: All residential treatment centers registered with MN DHS.

School: All public, non-public, charters, or colleges registered with MDE.

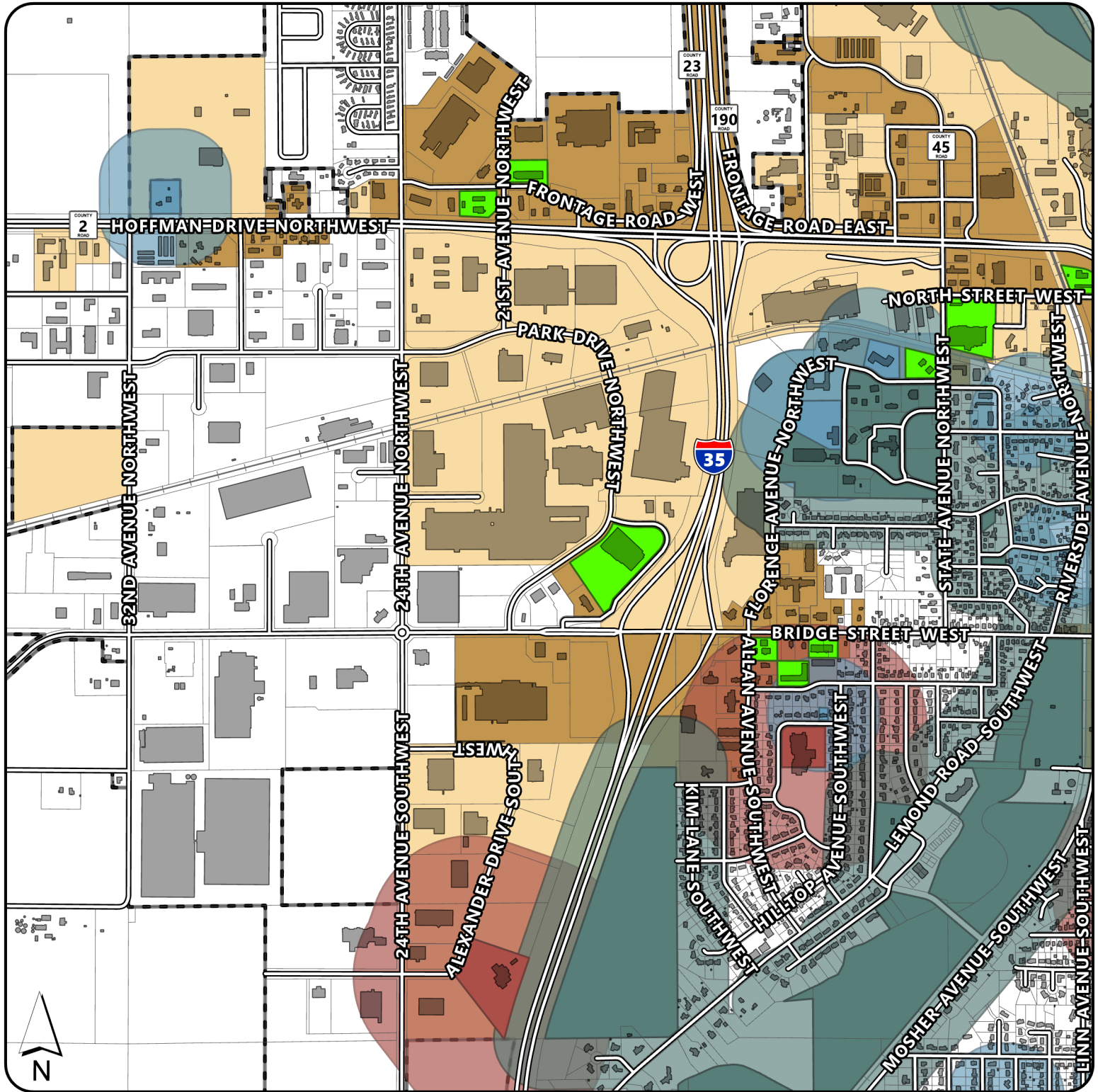
Steele County GIS:
10/20/2025

0 500 1,000
Feet

- Roads
- Railroad
- Buildings
- Parcel
- Municipal Boundaries
- Business Zone
- Industrial Zone
- LPHE Current Locations

Legend

- Daycare 10/20/2025
- Parks
- Treatment Center
- School 06/25/2025
- 500' Daycare Buffer 10/20/2025
- 500' Parks Buffer
- 500' Treatment Center Buffer
- 1000' School Buffer 06/25/2025



Steele County Cannabis Ordinance

City of Owatonna : Map 3

Daycare: All facilities registered with MN DHS as a Child Care Center or Family Child Care.

Parks: All public parks and athletic fields/facilities.

Treatment Center: All residential treatment centers registered with MN DHS.

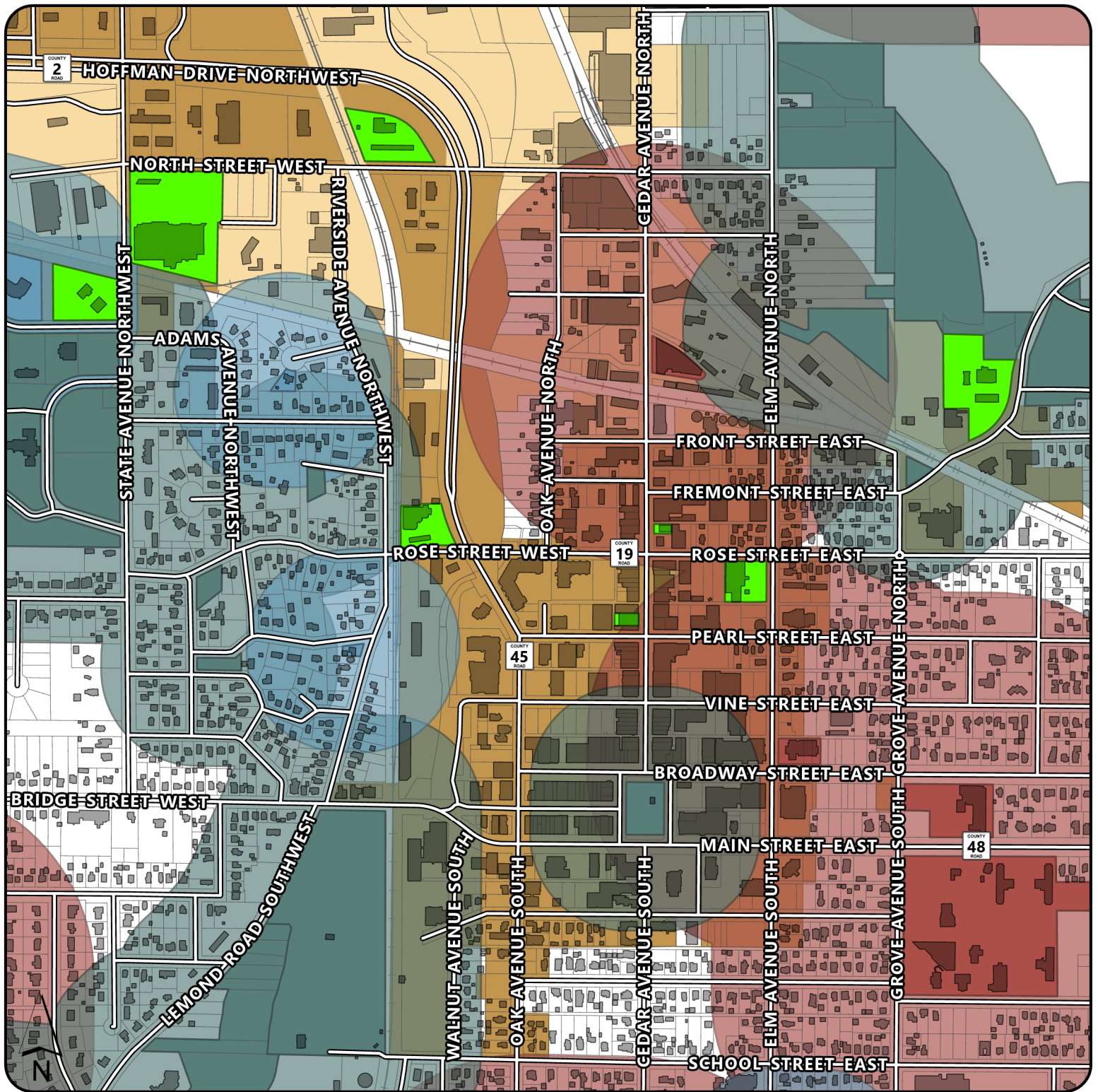
School: All public, non-public, charters, or colleges registered with MDE.

Steele County GIS:
10/20/2025

0 500 1,000
Feet

Legend

- Roads
- Railroad
- Buildings
- Parcel
- Municipal Boundaries
- Business Zone
- Industrial Zone
- LPHE Current Locations
- Daycare 10/20/2025
- Parks
- Treatment Center
- School 06/25/2025
- 500' Daycare Buffer 10/20/2025
- 500' Parks Buffer
- 500' Treatment Center Buffer
- 1000' School Buffer 06/25/2025



Steele County Cannabis Ordinance

City of Owatonna : Map 4

Daycare: All facilities registered with MN DHS as a Child Care Center or Family Child Care.

Parks: All public parks and athletic fields/facilities.

Treatment Center: All residential treatment centers registered with MN DHS.

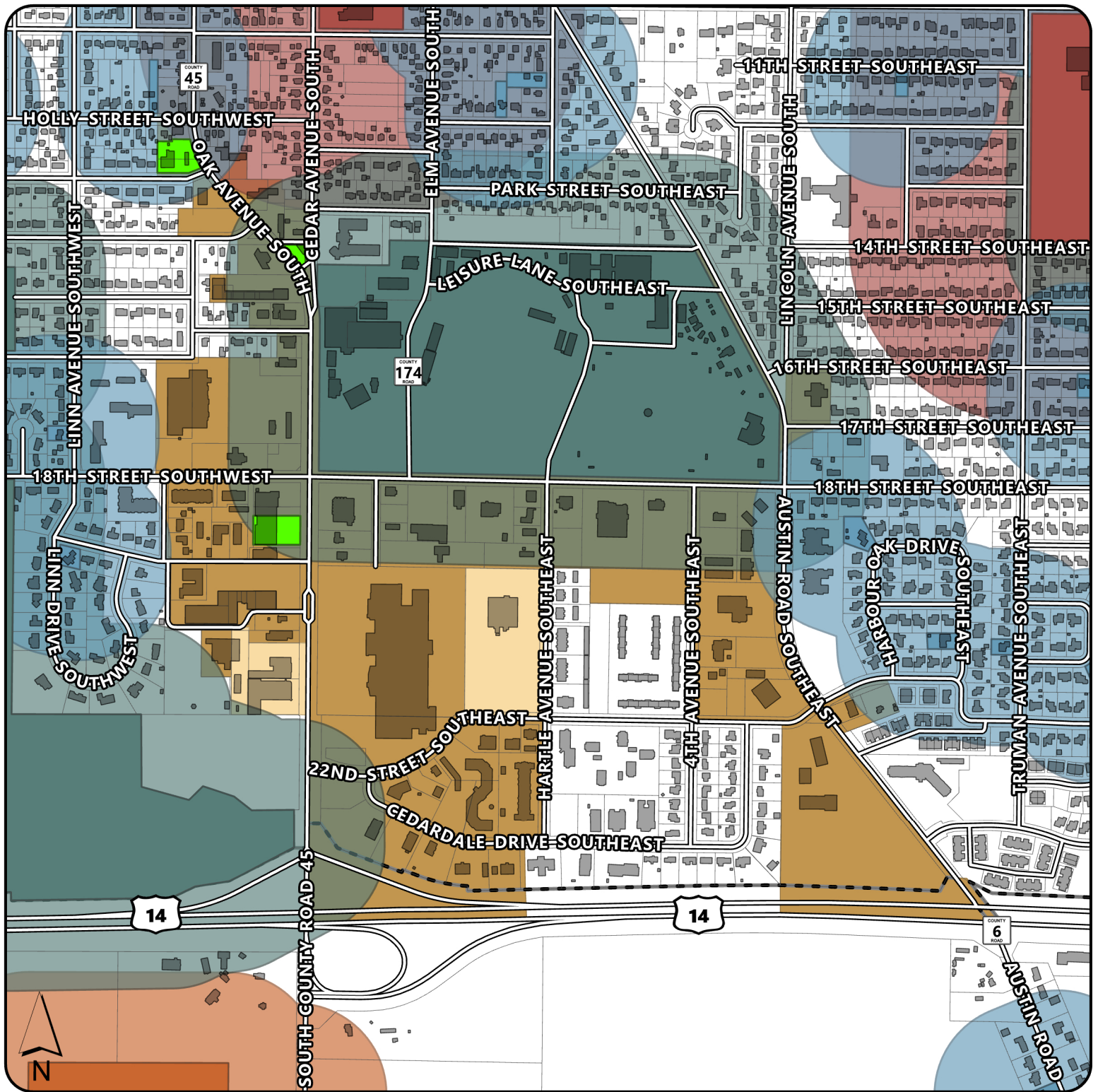
School: All public, non-public, charters, or colleges registered with MDE.

Steele County GIS:
10/20/2025

0 500 1,000
Feet

Legend

- Roads
- Railroad
- Buildings
- Parcel
- Municipal Boundaries
- Business Zone
- Industrial Zone
- LPHE Current Locations
- Daycare 10/20/2025
- Parks
- Treatment Center
- School 06/25/2025
- 500' Daycare Buffer 10/20/2025
- 500' Parks Buffer
- 500' Treatment Center Buffer
- 1000' School Buffer 06/25/2025



Steele County Cannabis Ordinance

City of Owatonna : Map 5

Daycare: All facilities registered with MN DHS as a Child Care Center or Family Child Care.

Parks: All public parks and athletic fields/facilities.

Treatment Center: All residential treatment centers registered with MN DHS.

School: All public, non-public, charters, or colleges registered with MDE.

Steele County GIS:
10/20/2025

0 500 1,000
Feet

Legend

- Roads
- Railroad
- Buildings
- Parcel
- Municipal Boundaries
- Business Zone
- Industrial Zone
- LPHE Current Locations
- Daycare 10/20/2025
- Parks
- Treatment Center
- School 06/25/2025
- 500' Daycare Buffer 10/20/2025
- 500' Parks Buffer
- 500' Treatment Center Buffer
- 1000' School Buffer 06/25/2025

Ordinance Number 42

ORDINANCE REGULATING CANNABIS BUSINESSES

The County Board of Steele County Ordains:

Section 1: Administration

Section 2: Registration of Cannabis Businesses

Section 3: Requirements for Cannabis Businesses

Section 4: Temporary Cannabis Events

Section 5: Local Government as a Cannabis Retailer

Section 6: Effective Date

Section 1: Administration

101. Findings and Purpose. Steele County makes the following findings:

The purpose of this Ordinance is to implement the provisions of Minnesota Statutes Chapter 342, which authorizes Steele County to protect the public health, safety, and welfare of its residents by regulating cannabis businesses within the legal boundaries of Steele County.

Steele County finds and concludes that the proposed provisions are appropriate and lawful land use regulations for Steele County, that the proposed amendments will promote the community's interest in reasonable stability in zoning for now and in the future, and that the proposed provisions are in the public interest and for the public good.

102. Authority & Jurisdiction

(a) Steele County has the authority to adopt this Ordinance pursuant to:

- i. MINN. STAT. § 342.13(c), regarding the authority of a local unit of government to adopt reasonable restrictions of the time, place, and manner of the operation of a cannabis business provided that such restrictions do not prohibit the establishment or operation of cannabis businesses.
- ii. MINN. STAT. § 342.22, regarding the local registration and enforcement requirements of state-licensed cannabis retail businesses and lower- potency hemp edible retail businesses.
- iii. MINN. STAT. § 152.0263, subd. 5, regarding the use of cannabis in public places.
- iv. MINN. STAT. § 394.21, regarding the authority of a local authority to adopt zoning ordinances.

(b) For Steele County jurisdictions subject to county zoning per the Steele County Zoning Ordinance section 401 Steele County will be the registration authority for those jurisdictions unless that jurisdiction opts out of county zoning.

- (c) For Steele County incorporated cities that have not opted into county zoning per the Steele County Zoning Ordinance, those jurisdictions may request that Steele County be the registration authority only through the following procedure:
- i. The jurisdiction submits a letter of interest and a copy of the jurisdiction's cannabis-related zoning ordinances or regulations to the Steele County Property Tax and Elections Director.
 - ii. The Steele County Property Tax and Elections Director shall review the letter and the jurisdiction's submitted ordinances and regulations.
 - iii. If the Steele County Property Tax and Elections Director agrees to be the registration authority for the jurisdiction, delegation of registration will become effective upon receipt of the jurisdiction's delegation opt-in resolution.
 - iv. The jurisdiction must agree to indemnify Steele County, including all costs and attorney's fees, in the event of any legal action arising from the interpretation or application of the jurisdiction's cannabis-related zoning ordinances or regulations, representations of whether a cannabis business complies or does not comply with the jurisdiction's cannabis-related zoning ordinances or regulations, or the jurisdiction's officer's or employee's negligence with respect to the application of the jurisdiction's zoning ordinances or regulations concerning cannabis.
 - v. Once the above requirements are completed, the Steele County Property Tax and Elections Director will provide registration on behalf of the local jurisdiction.
- (d) Delegating registration authority to Steele County in such a manner does not opt a jurisdiction into Steele County zoning. Cities or townships who have delegated registration authority to Steele County may adopt ordinances under paragraph 206, and Sections 3 and 4 below if Steele County has not adopted conflicting provisions.
- (e) Jurisdictions delegating registration authority to Steele County must inform the Steele County Property Tax and Elections Director of any cannabis-related ordinances or regulations passed after delegating registration authority to Steele County. The Steele County Property Tax and Elections Director has the sole discretion whether to act as the registration authority for a jurisdiction. The Steele County Property Tax and Elections Director also has the discretion to terminate its registration authority for a jurisdiction.

103. Severability

If any section, clause, provision, or portion of this Ordinance is adjudged unconstitutional or invalid by a court of competent jurisdiction, the remainder of this Ordinance shall not be affected thereby.

104. Enforcement

The Steele County Property Tax and Elections Director or his/her designee is responsible for the administration and enforcement of this Ordinance (except for compliance checks conducted by the Steele County Sheriff's Office under paragraph 203.d.). Any violation of the provisions of this Ordinance or failure to comply with any of its requirements constitutes a misdemeanor and is punishable as defined by Minnesota law. Violations of this Ordinance can occur regardless

of whether a permit is required for a regulated activity listed in this Ordinance.

104. Definitions

- (a) Unless otherwise noted in this Section, words and phrases contained in MINN. STAT. § 42.01 and the rules promulgated pursuant to any of these acts shall have the same meanings in this Ordinance.
- (b) *Cannabis Cultivation*: A cannabis business licensed to grow cannabis plants within the approved amount of space from seed or immature plant to mature plant. Cultivation includes harvesting cannabis flower from mature plants, packaging and labeling immature plants and seedlings and cannabis flower for sale to other cannabis businesses, transporting cannabis flower to a cannabis manufacturer located on the same premises, and performing other actions described in MINN. STAT. § 342.01 subd. 27 and approved by the Office of Cannabis Management.
- (c) *Cannabis Retail Business*: A retail location of a cannabis retailer, a cannabis mezzobusiness with a retail operations endorsement, a cannabis microbusiness with a retail operations endorsement, a medical cannabis retailer, or a medical combination business. This definition excludes lower-potency hemp edible retailers unless otherwise noted in this Ordinance.
- (d) *Cannabis Retailer*: Any person, partnership, firm, corporation, or association, foreign or domestic, selling cannabis product(s) to a consumer and not for the purpose of resale in any form.
- (e) *Daycare*: A location licensed with the Minnesota Department of Human Services to provide the care of a child in a residence outside the child's own home for gain or otherwise, on a regular basis, for any part of a 24-hour day.
- (f) *Lower-potency Hemp Edible*: As defined under MINN. STAT. § 342.01 subd. 50.
- (g) *Office of Cannabis Management*: Minnesota Office of Cannabis Management, referred to as “OCM” in this Ordinance.
- (h) *Preliminary License Approval*: OCM pre-approval for a cannabis business license for applicants who qualify under MINN. STAT. § 342.17.
- (i) *Residential Treatment Facility*: As defined under MINN. STAT. § 245.462 subd. 23.
- (j) *Retail Registration*: An approved registration issued by Steele County to a state- licensed cannabis retail business.
- (k) *School*: A public school as defined under MINN. STAT. § 120A.05 or a nonpublic school that must meet the reporting requirements under MINN. STAT. § 120A.24.

- (l) *State License*: An approved license issued by the State of Minnesota's Office of Cannabis Management to a cannabis retail business.

Section 2: Registration of Cannabis Businesses

201. Consent to registering of Cannabis Businesses

- (a) For the jurisdictions covered by this Ordinance (paragraph 102), no individual or entity may operate a state-licensed cannabis retail business within Steele County without first registering with Steele County.
- (b) Any state-licensed cannabis retail business that sells to a customer or patient without valid retail registration shall incur a civil penalty of up to \$2,000 for each violation per MINN. STAT. § 342.22 subd. 5(e).
- (c) This Section does not apply to a cannabis retail business operated by a Minnesota Tribal government in Indian country, as defined in United States Code, title 18, section 1151.

202. Compliance Checks Prior to Retail Registration

Prior to issuance of a cannabis retail business registration, Steele County shall conduct a preliminary compliance check to ensure compliance with local ordinances. Per MINN. STAT. § 342.13(f), within 30 days of receiving a copy of a state license application from OCM, Steele County shall certify on a form provided by OCM whether a proposed cannabis retail business complies with local zoning ordinances and, if applicable, whether the proposed business complies with the state fire code and building code. If a jurisdiction that has delegated registration authority to Steele County receives a state license application from OCM, that jurisdiction shall immediately forward the application to the Steele County Property Tax and Elections Director.

203. Registration & Application Procedure

- (a) Fees.
1. Steele County shall not charge an application fee.
 2. A registration fee, as established in Steele County's fee schedule, shall be charged to applicants depending on the type of retail business license applied for.
 3. An initial retail registration fee shall not exceed \$500 or half the amount of an initial state license fee under MINN. STAT. § 342.11, whichever is less. The initial registration fee shall include the initial retail registration fee and the first annual renewal fee.
 4. Any renewal retail registration fee imposed by Steele County shall be charged at the time of the second renewal and each subsequent renewal thereafter.
 5. A renewal retail registration fee shall not exceed \$1,000 or half the amount of a renewal state license fee under MINN. STAT. § 342.11, whichever is less.
 6. A medical combination business operating an adult-use retail location may only be

charged a single registration fee, not to exceed the lesser of a single retail registration fee, defined under this Section, of the adult-use retail business.

7. All fees collected by Steele County will be retained by Steele County.

(b) Application Submittal.

Steele County shall issue a retail registration to a state-licensed cannabis retail business that adheres to the requirements of MINN. STAT. § 342.22.

1. An applicant for a retail registration shall fill out an application form, as provided by the Steele County Property Tax and Elections Director. Said form shall include, but is not limited to:
 - a. Full name of the property owner and applicant;
 - b. Address, email address, and telephone number of the applicant;
 - c. The address and parcel ID for the property which the retail registration is sought; and
 - d. Certification that the applicant complies with the requirements of local ordinances, including those established pursuant to MINN. STAT. § 342.13.
2. The applicant shall include with the form:
 - a. the registration fee as required in paragraph 201; and
 - b. a copy of a valid state license or written notice of OCM license preapproval.
3. Once an application is considered complete, the Steele County Property Tax and Elections Director shall inform the applicant as such, process the application fees, and review the application for approval or denial.
4. The application fee shall be non-refundable once processed.

(c) Application Approval

1. A state-licensed cannabis retail business application shall not be approved if the cannabis retail business would exceed the maximum number of registered cannabis retail businesses permitted under section 2.6.
2. A state-licensed cannabis retail business application shall not be approved or renewed if the applicant is unable to meet the requirements of this Ordinance.
3. A state-licensed cannabis retail business application that meets the requirements of this Ordinance shall be approved.

(d) Annual Compliance Checks.

1. The Steele County Sheriff's Office shall complete at minimum one compliance check

- per calendar year of every cannabis business with a Steele County issued retail registration to assess if the business meets age verification requirements, as required under MINN. STAT. § 342.22 subd. 4(b), MINN. STAT. § 342.24, and this Ordinance.
2. The Steele County Sheriff's Office shall conduct at minimum one unannounced age verification compliance check at least once per calendar year.
 3. Age verification compliance checks shall involve persons at least 17 years of age but under the age of 21 who, with the prior written consent of a parent or guardian if the person is under the age of 18, attempt to purchase adult-use cannabis flower, adult-use cannabis products, lower-potency hemp edibles, or hemp-derived consumer products under the direct supervision of a law enforcement officer or an employee of the local unit of government.
 4. Any failures under this Section must be reported to the Office of Cannabis Management.
- (e) Location Change. A state-licensed cannabis retail business shall be required to submit a new application for registration under paragraph 203 above if it seeks to move to a new location still within the legal boundaries of Steele County.

204. Renewal of Registration

- (a) The Steele County Property Tax and Elections Director shall renew an annual registration of a state-licensed cannabis retail business at the same time OCM renews the cannabis retail business' license.
- (b) A state-licensed cannabis retail business shall apply to renew registration on a form established by the Steele County Property Tax and Elections Director.
- (c) A cannabis retail registration issued under this ordinance shall not be transferred.
- (d) Renewal Fees. The Steele County Property Tax and Elections Director shall charge a renewal fee for the registration starting at the second renewal, as established in Steele County's fee schedule.
- (e) Renewal Application. The application for renewal of a retail registration shall include, but is not limited to, items required under section 203.b. of this Ordinance.

205. Suspension of Registration

- (a) When Suspension is Warranted.

The Steele County Property Tax and Elections Director may suspend a cannabis retail business's registration if it violates this Ordinance or poses an immediate threat to the health or safety of the public. The Steele County Property Tax and Elections Director shall immediately notify the cannabis retail business in writing the grounds for the suspension.

- (b) Notification to OCM.

The Steele County Property Tax and Elections Director shall immediately notify the OCM in writing the grounds for the suspension. OCM will provide the Steele County Property Tax and Elections Director and cannabis business retailer a response to the complaint within seven calendar days and perform any necessary inspections within 30 calendar days.

(c) Length of Suspension.

The suspension of a cannabis retail business registration may be for up to 30 calendar days, unless OCM suspends the license for a longer period. The business may not make sales to customers if their registration is suspended.

The Steele County Property Tax and Elections Director may reinstate a registration if it determines that the violations have been resolved.

The Steele County Property Tax and Elections Director shall reinstate a registration if OCM determines that the violation(s) have been resolved.

(d) Civil Penalties.

Subject to MINN. STAT. 342.22, subd. 5(e) the Steele County Property Tax and Elections Director may impose a civil penalty, as specified in Steele County's Fee Schedule, for registration violations, not to exceed \$2,000.

206. Limiting of Registrations

- (a) If Steele County has one active cannabis retail business registration for every 12,500 residents as determined annually by Minnesota State Demographic Center, the Steele County Property Tax and Elections Director shall not register additional state-licensed cannabis retail businesses. For purposes of determining the number of cannabis retail business registrations for Steele County, if a number under 12,500 remains after applying the 12,500 increments to Steele County's population, that fractional amount is also accorded one active cannabis retail business registration. By way of example, the most recent population calculation for Steele County as of the date of adoption is 37,422. Based on this population, the maximum number of active business registrations in the county is three (3) registrations. This limitation does not include a Minnesota Tribal government operating a cannabis retailer in Indian country, as defined in United States Code, title 18, section 1151, within Steele County.
- (b) In applying this limitation, cannabis retail business applications will be prioritized based upon the date the application is received by the Steele County Property Tax and Elections Director. Applications will be reviewed in the order the applications were received, starting with the earliest received. Incomplete applications or those not following the requirements of this Ordinance will be removed from the order. If applications are received on the same day and those applications outnumber the maximum number of registrations allowed, a committee with the Steele County Property Tax and Elections Director, Steele County Administrator, Steele County Finance Director, the Steele County Sheriff, and the Owatonna Community Development Director as members will select which application(s) to accept. The decision shall be based upon factors such as completeness, feasibility of the proposal, safety, community needs, and distance from

other cannabis retailers.

Section 3: Requirements for Cannabis Businesses

301. Minimum Buffer Requirements

- (a) A cannabis business shall not operate within 1,000 feet of a school. A cannabis business shall not operate within 500 feet of a day care.
- (b) A cannabis business shall not operate within 500 feet of a residential treatment facility.
- (c) A cannabis business shall not operate within 500 feet of a public park that is regularly used by minors, including a playground or athletic field and the Steele County Free Fair grounds.
- (d) A cannabis retail business shall not operate within 1,000 feet of another cannabis retail business.
- (e) All setback distances referenced above will be measured from the property lines for the parcel on which the above-described use is located. Per MINN. STAT. § 462.357 subd. 1e, nothing in paragraph 301 shall prohibit an active cannabis business or a cannabis business seeking registration from continuing operation at the same site if a (school/daycare/residential treatment facility/attraction within a public park that is regularly used by minors) moves within the minimum buffer zone.
- (f) Any business not registered with the Minnesota Office of Cannabis Management (OCM) on or before August 31, 2025, under MINN. STAT. § 151.72, to sell hemp-derived cannabinoid products, that seeks to obtain a Lower-Potency Hemp Edible (LPHE) retailer license under MINN. STAT. § 342.46, must comply with all buffer requirements in this section.
 - 1. Businesses registered with OCM on or before August 31, 2025, that seek to obtain a LPHE retailer license are exempt from the buffer requirements in this section, provided that such retailers remain continuously operated at the same location. This exemption is non-transferable and shall terminate upon the sale, transfer, or relocation of the business.

302. ~~Hours of Operation~~ Prohibited Sales and Other Restrictions

- (a) **Applicability.** The provisions in this section apply to all registered cannabis retail businesses in Steele County, including lower-potency hemp edible retailers, unless otherwise noted. Approved products include adult-use cannabis, lower-potency hemp edible, and medical cannabinoid products.
- (b) **Hours of operation.** Cannabis businesses are limited to retail sale of cannabis, cannabis flower, cannabis products, or ~~hemp-derived consumer~~ lower-potency hemp edible products between the hours of 10:00 a.m. and 9:00 p.m., seven days a week.
- (c) **Legal age.** No person shall sell any approved product to any person under the age of 21.

1. Businesses licensed or endorsed to sell medical cannabinoid products may sell medical cannabinoid products to persons under age 21 who are enrolled in the medical registry program pursuant to MINN. STAT. § 342.24 subd. 1.
- (d) Age verification. Before any sale of approved products, the registered cannabis business must verify, by means of government-issued photographic identification containing the bearer's date of birth, that the purchaser is at least 21 years of age.
- (e) Minimum clerk age. Individuals employed by a registered cannabis business must be at least 21 years of age to sell or handle approved products.
- (f) Age restrictions and eligible retail locations. Except as provided in this subsection, no person shall sell or offer for sale any approved products, except in registered retail establishments that prohibit persons under the age of 21 from entering at all times.
1. Businesses licensed or endorsed to sell medical cannabinoid products may allow entry to persons under age 21 who are enrolled in the medical registry program for the sole purpose of purchasing medical cannabinoid products pursuant to MINN. STAT. § 342.24.
 2. Lower-potency hemp edible beverages may be sold for on-site consumption in licensed food and beverage establishments that:
 - i. Operate a permanently constructed bar service area under a valid on-sale intoxicating liquor or 3.2 malt liquor license under MINN. STAT. § 340A
 - ii. Store and dispense such beverages only by an employee age 21 or older from behind the bar counter to patrons age 21 or older;
- (g) Prohibited sales practices. In addition to the prohibitions set forth under MINN. STAT. § 342.27 subd. 12 and MINN. STAT. § 342.46 subd. 7, no registered cannabis business shall sell or offer to sell any approved product:
1. By means of any type of vending machine.
 2. By means of self-service display. All approved products, including lower-potency hemp edible beverages, must be stored in a locked case behind the sales counter, in a storage unit, or in another area not freely accessible by the general public. This does not prohibit registered cannabis businesses from displaying single product samples pursuant to MINN. STAT. § 342.27 subd. 5.

3. At a moveable place of business. Only fixed location businesses may sell approved products.
 4. By means of delivery sales. All sales of approved products must be conducted in person, in a registered cannabis business, in over-the-counter sales transactions. This does not prohibit the sale of medical cannabinoid products by medical cannabis combination businesses by curbside pick-up as allowed in MINN. STAT. § 342.51 subd. 5.
 5. That does not comply with the packaging and labeling required under MINN. STAT. § 342.62 and 342.63 as may be amended from time to time, except that:
 - i. No lower-potency hemp edible beverage may be sold outside of its original packaging; and,
 - ii. No lower-potency hemp edible product may be sold that does not indicate a single serving by scoring or use of another indicator that appears on the product. If it is not possible to indicate a single serving by scoring or use of another indicator that appears on the product, the lower-potency hemp edible may not be packaged in a manner that includes more than a single serving in each container.
 6. By any other means, to any other person, or in any other manner or form prohibited by state or other local law, ordinance provision, or other regulation.
- (h) Smoking prohibited. Smoking is prohibited within the indoor area of any registered cannabis business.
- (i) Samples prohibited. No samples of any approved products may be distributed free of charge. The distribution of approved products as a free donation is prohibited.
- (j) On-site consumption prohibited. No registered cannabis business may allow on-site consumption of approved products.
1. Businesses may allow employee medical cannabis use and on-site use for quality control pursuant to MINN. STAT. § 342.24 subd. 2.
 2. This prohibition does not apply to licensed food and beverage establishments lawfully serving lower-potency hemp edible beverages for on-site consumption.

- (k) Products that are attractive to underage persons. No person shall sell or offer to sell any products that are attractive to individuals under age 21 as described in MINN. STAT. § 342.62 subd. 3.

303. Insurance

No individual or entity may operate a state-licensed cannabis business within the city without first presenting a Certificate of Insurance to the City Administrator's Office as evidence of the following coverages for the location which shall meet the following minimum Limits of Liability:

(a) Commercial General Liability (CGL)

- i. 1.5 million each occurrence;
- ii. \$3 million General Aggregate; and
- iii. \$3 million Products and Completed Operations aggregate (or Product Liability)

(b) Workers' Compensation Insurance:

- i. As required by Minnesota state law;
- ii. Employer's Liability Insurance;
 - \$500,000 per accident
 - \$500,000 disease policy limit
 - \$500,000 disease each employee

(c) Commercial Auto Insurance:

- i. \$1 million combined single limit including coverage for hired and non-owned vehicles.

303. Advertising

- (a) This Section applies only to areas of Steele County that are covered by the Steele County Zoning Ordinance, including jurisdictions that have opted into Steele County zoning. Jurisdictions that have requested Steele County to register cannabis businesses but have not opted into Steele County zoning must certify to the Steele County Property Tax and Elections Director that a proposed cannabis business complies with its sign requirements.
- (b) Cannabis businesses are permitted to erect up to two fixed signs on the exterior of the building or property of the business. Signs must comply with the requirements of the Steele County Zoning Ordinance, section 1514.

Section 4: Temporary Cannabis Events

401. License or Permit Required for Temporary Cannabis Events

(a) License Required.

A license or permit is required to be issued and approved by the Steele County Property Tax and Elections Director prior to holding a Temporary Cannabis Event.

(b) Registration & Application Procedure

A registration fee, as established in Steele County's fee schedule, shall be charged to applicants for Temporary Cannabis Events.

(c) Application Submittal & Review.

The Steele County Property Tax and Elections Director shall require an application for Temporary Cannabis Events.

1. An applicant shall fill out an application form, as provided by the Steele County Property Tax and Elections Director. Said form shall include, but is not limited to:
 - i. Full name of the property owner and applicant; and
 - ii. Address, email address, and telephone number of the applicant.
2. The applicant shall include with the form:
 - i. The application fee as required in section 4.1.2; and
 - ii. A copy of the OCM cannabis event license application, submitted pursuant to MINN. STAT. § 342.39 subd. 2.
3. The application shall be submitted to the Steele County Property Tax and Elections Director. If the application is deficient with respect to the above requirements, the Steele County Property Tax and Elections Director shall return the application with a notice of the deficiencies.
4. Once an application is considered complete, the Steele County Property Tax and Elections Director shall inform the applicant as such, process the application fees, and forward the application to the Steele County Sheriff's Office for final approval. The Steele County Sheriff may deny an application if the applicant has not sufficiently planned or detailed feasible safety and security plans.
5. The application fee shall be non-refundable once processed.
6. The application for a license for a Temporary Cannabis Event shall meet the following standards:
 - i. Except for low-potency cannabis edibles, onsite consumption is prohibited.
 - ii. Temporary cannabis events shall only be held between the hours of 10:00 a.m. and 9:00 p.m.
 - iii. Temporary cannabis events are prohibited in residential districts.
 - iv. Temporary cannabis events must comply with the buffer requirements described in section 3.1
 - v. Temporary cannabis events must comply with all requirements detailed in MINN. STAT. § 342.40. The application shall include a detailed plan addressing the requirements of MINN. STAT. § 342.40, subds. 3, 4, 5, 6, 7 and 8.

7. A request for a Temporary Cannabis Event that meets the requirements of this Section shall be approved.
8. A request for a Temporary Cannabis Event that does not meet the requirements of this Section shall be denied. The Steele County Property Tax and Elections Director shall notify the applicant of the standards not met and basis for denial.

Section 5: Local Government as a Cannabis Retailer

501. A municipality may establish, own, and operate a municipal cannabis retail business subject to the restrictions in this Ordinance.

502. A municipal cannabis retail store shall not be included in any limitation of the number of registered cannabis retail businesses under paragraph 206.

503. A municipal cannabis retail store shall be subject to all same rental license requirements and procedures applicable to all other applicants.

Section 6: Effective Date

This Ordinance shall be in full force and effect from and after its passage and publication.

Passed and adopted this _____ day of _____, 2024, with the following vote:
Aye _____; No _____; Absent; _____.

Approved and signed this _____ day of _____, 2024.

Steele County Board Chair

ATTEST:

Steele County Administrator

Approved as to Form and Legality

Steele County Attorney

Published in the Owatonna People's Press on _____, _____.

Recorded with the Steele County Recorder on _____, _____.

Document #_____

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