

City of Ramsey
Agenda
Housing and Redevelopment Authority (HRA)
Regular Session
Tuesday June 11, 2013
Immediately following City Council
Council Chambers, 7550 Sunwood Drive NW

1. **Call to Order**
2. **Citizen Input**
3. **Approve Agenda**
4. **Approve Minutes**
 1. Approve the Following Meeting Minutes:
 1. HRA Regular - May 28, 2013
5. **HRA Business**
 1. Approve First Amendment to the Real Estate Contract Between the Ramsey HRA and McDonalds USA, LLC.
 2. Adopt Resolution #HRA-13-06-107 Accepting Bids and Awarding Contract for COR TWO (Sunwood Retail) Stage 1 Improvements
 3. Approve Purchase Agreement for North Commons COR III (portions may be closed to the public)
 4. Purchase / Exchange of Property Outlot A RTC 8th Addition (This discussion may be closed to the public)
6. **Development Team Report**
7. **Commissioner Input**
8. **Adjournment**

HRA Regular Session

4. 1.

Meeting Date: 06/11/2013

Submitted For: Jo Thieling

By: Jo Thieling, Administrative Services

Information

Title:

Approve the Following Meeting Minutes:

1. HRA Regular - May 28, 2013

Background:

Meeting minutes attached.

Funding Source:

N/A

Action:

Motion to approve the following meeting minutes

1. HRA Regular - May 28, 2013
-

Attachments

052813 HRA Mts

Form Review

Form Started By: Jo Thieling

Started On: 06/06/2013

Final Approval Date: 02/07/2013

**HOUSING AND REDEVELOPMENT AUTHORITY
CITY OF RAMSEY
ANOKA COUNTY
STATE OF MINNESOTA**

The Housing and Redevelopment Authority conducted a regular meeting on Tuesday, May 28, 2013, at the Ramsey Municipal Center, 7550 Sunwood Drive NW, Ramsey, Minnesota.

Members Present: Chairperson Randy Backous
 Commissioner Mark Kuzma
 Commissioner John LeTourneau
 Commissioner Chris Riley
 Commissioner Sarah Strommen
 Commissioner Jason Tossey

Members Absent: None

Also Present: HRA Executive Director Kurtis G. Ulrich
 Deputy Executive Director Timothy Gladhill
 Finance Director Diana Lund
 Parks and Assistant Public Works Superintendent Mark Riverblood
 Public Works Superintendent Grant Riemer
 City Engineer Bruce Westby
 Assistant to the City Administrator Patrick Brama
 City Attorney William Goodrich

1. CALL TO ORDER

Chairperson Backous called the regular meeting of the Housing and Redevelopment Authority to order at 9:29 p.m.

2. CITIZEN INPUT

There was none.

3. APPROVAL OF AGENDA

Motion by Commissioner LeTourneau, seconded by Commissioner Kuzma, to approve the agenda as submitted.

Motion carried. Voting Yes: Chairperson Backous, Commissioners LeTourneau, Kuzma, Riley, Strommen, and Tossey. Voting No: None.

4. APPROVAL OF MINUTES

Motion by Commissioner Riley, seconded by Commissioner LeTourneau, to approve the following minutes:

Regular Meeting Minutes dated May 14, 2013

Motion carried. Voting Yes: Chairperson Backous, Commissioners Riley, LeTourneau, Kuzma, and Strommen. Voting No: None. Abstain: Commissioner Tossey.

5. HRA BUSINESS

5.01: COR III North Commons

Executive Director Ulrich reviewed the staff report and staff's analysis for developing COR III North Commons. He presented four options: 1) Walk away from the project; 2) Develop four lots on the west side of the Park; 3a) Complete the full 17-lot development project including salvaging all excess topsoil from the 13 lot development site and hauling it to the Lake Ramsey site for future use; and, 3b) Complete the full 17-lot development project and use all excess topsoil in the rear yard areas of the North Commons residential lot sites. Executive Director Ulrich noted there is not a significant difference in stopping the project and moving forward with one of the full development proposals. The ultimate benefit to the City in taxes would be about \$12,538 per year that will begin to generate two years from the start of house construction. Another benefit to the City would be the completion of the final layer of asphalt for the roads in that subdivision. He indicated other options would be for the City to wait until lot prices increase but there is uncertainty of revenue under that option plus the cost of delay makes that option unattractive. Also, Option 1 (walk away) does not include any amount for the sale of the raw land, which may cover any costs of stopping the development but would have the risk of whether the City could sell the land.

Commissioner LeTourneau asked if a developer would not favor Option 3a, as it would be too expensive.

Executive Director Ulrich explained with Option 3a, the City would move ahead with the full development and incur those costs up front. He noted under that option, it is probable the City will only be able to get \$35,000 per lot because people will only pay what the market will bear. Executive Director Ulrich stated the revenue projections were based on \$35,000 for each of the triangle lots and \$40,000 for each of the four park lots.

Commissioner LeTourneau stated he is not interested in the HRA abandoning the property and asked if the \$92,000 projected negative revenue would be added back into the total COR costs and impact the per square foot costs.

Executive Director Ulrich stated there is a premium for using top soil on Lake Ramsey so that could be a cost paid by the entire COR and not just this development.

Finance Director Lund stated \$6.50/square foot would now be \$6.58/square foot and \$7.19/square foot would now be \$7.27/square foot.

Commissioner Riley stated the best use of the triangle is a pond and this situation is the perfect example of why a City should not be a developer. He noted the four lots abutting the park are close to being salable so maybe that should be considered.

Commissioner LeTourneau stated he shares that concern (why the City should not be a developer) but the reality is that the HRA needs to deal with this, mitigate the situation, and still realize the vision. He stated if it raises the cost by only eight cents per square foot, maybe that is worth taking on to drive towards the vision.

Finance Director Lund stated the \$6.50/square foot incorporated the \$461,000 contract at that time. She explained that Options 3 and 4, when originally approved, used \$530,000 from the Landfill Fund and adding in City fees will raise the amount to \$846,000. Finance Director Lund stated the HRA also needs to consider how long it will be before the Landfill Fund can be repaid and the dollars be used elsewhere. She noted this will bring the Landfill Fund down to \$1.3 million.

Commissioner Tossey stated he has opposed this from the start and asked why, after the HRA knew the four lots would not raise enough revenue, it decided to quadruple that. He voiced support for “cutting the losses” with the four lots on the park. Commissioner Tossey stated he has been approached by residents of this area who are furious with what is going on as there are two large mounds of dirt they can view from their front yard, as well as culverts sitting there. He stated it is time to re-grade the site and move on and since the soil on the park side has been corrected, he may support Option 2 at this point.

Chairperson Backous stated the numbers in the proforma, when making this decision, were in error. He asked what is the difference between going from the best-case to worst-case scenario, noting if it is not that great maybe the HRA should just do it all.

Commissioner Strommen noted there are no good options but she would agree on Option 2 because it minimizes losses and allows keeping some of the vision to develop the park lots. Then the rest of the property can sit until it can be determined whether the lots as designed were well conceived. Commissioner Strommen stated she had supported moving forward when it looked like it would be of marginal benefit; however, after review of the new information it makes less sense to move forward with all of the property.

Commissioner Riley asked if the cost to remove the piles of dirt and culverts had been factored in.

City Engineer Westby explained the penalty cost to the developer includes smoothing the dirt, re-leveling the top soil, and restoring turf with seed. However, the on-site pond depression stays.

Motion by Commissioner Tossey, seconded by Commissioner Riley, to direct staff to pursue Option 2) Develop four lots on the west side of the Park.

Motion carried. Voting Yes: Chairperson Backous, Commissioners Tossey, Riley, Kuzma, LeTourneau, and Strommen. Voting No: None.

5.02: Proposal for Mechanic's Lien Settlement Regarding Landform COR II Claims

Executive Director Ulrich reviewed the staff report and presented the list of outstanding COR II invoices totaling \$34,732.25. He stated the Council Landform Subcommittee comprised of Members Backous, Riley and Strommen met with the City/HRA attorneys and staff and agreed on an approach to negotiate this dispute. It was noted that the contractor offered a 5% discount, or \$1,500, resulting in a full and final payment on all open non-incentive invoices in the amount of \$33,232. Executive Director Ulrich explained these costs were the result of additional professional work required beyond the specific contract to file the plat as directed by the HRA, which includes surveys and other work to complete filing of the plat.

Chairperson Backous noted the HRA had withheld some payments pending verification of HRA approvals, which were not documented in its meeting minutes.

Executive Director Ulrich stated the work was completed and necessary to file the plats and action tonight would authorize those actions and final payment.

City Attorney Goodrich stated the work was not authorized and there are factual issues on that with previous City employees and the contractor; however, it would take some time to get down to preciseness.

Chairperson Backous noted Landform is saying they received approval from former employees or that the work was not specifically approved but necessary to complete the work that was approved.

City Attorney Goodrich stated Landform is saying they received verbal authorization from staff and the City. If in court, the City would have a lot to say about that. He explained HRA/City Council approval is required but, on the other hand, if Landform has completed the work and the City has benefited, that will be considered by a court as well. City Attorney Goodrich stated the City needs to make certain that contractors do not have the impression that the City casually pays for unauthorized work because that is not the case.

Commissioner Strommen asked about the timing, should this settlement be approved, for release of the lien and filing of the plat.

City Attorney Goodrich advised that in return for payment, the City will satisfy the lien so the City will file the satisfaction and then file the plat. He stated a written agreement will be drafted stating those issues and that the City also wants its intellectual property.

Commissioner Strommen stated this will then be final.

City Attorney Goodrich advised it will be final except for the incentive compensation.

Motion by Commissioner Strommen, seconded by Chairperson Backous, to approve the negotiated settlement for the Mechanic's Lien by Landform on COR II in the amount of \$33,232.00.

Further discussion: Commissioner LeTourneau thanked the Council Landform Subcommittee for their work to negotiate this complicated issue and stated he will support the action. Commissioner Riley stated a lot of bills were received at the end and emphasized that it has to be understood that there will be no more open bills and this matter will be closed with this action and the lien removed. The HRA concurred that was the understanding and expectation.

Motion carried. Voting Yes: Chairperson Backous, Commissioners Strommen, Kuzma, LeTourneau, Riley, and Tossey. Voting No: None.

6. DEVELOPMENT TEAM REPORT

None.

7. COMMISSIONER INPUT

None.

8. ADJOURNMENT

Motion by Commissioner Tossey, seconded by Commissioner Strommen, to adjourn the regular meeting of the Housing and Redevelopment Authority.

Motion carried.

The regular meeting of the Housing and Redevelopment Authority adjourned at 10:11 p.m.

Respectfully submitted,

Kurtis G. Ulrich
HRA Executive Director

ATTEST:

Jo Ann M. Thieling
City Clerk

Drafted by Carla Wirth
TimeSaver Off Site Secretarial, Inc.

Meeting Date: 06/11/2013

Submitted For: Kurt Ulrich

By: Jo Thieling, Administrative Services

Information

Title:

Approve First Amendment to the Real Estate Contract Between the Ramsey HRA and McDonalds USA, LLC.

Background:

Staff received a request from McDonald's for a six month extension to their purchase agreement. After conferring with legal counsel, staff contacted McDonald's and recommended they shorten the extension request to a time period closer to what is actually needed to avoid the possibility of circumstances that may change the agreement.

McDonald's is comfortable with shortening the extension to October 9, or 90-days. McDonald's submitted their building permits several weeks ago and has committed to the project, but would like to extend the expiration of the contingency period to allow all contingencies to be completed prior to closing..

The most significant open items are:

- Plat and easement recordation
- Completion of the access road construction and utilities

The HRA is scheduled to order the road and utility improvements on June 11, to be substantially complete by August 2 per contract. The plat and easements are expected to be recorded next week.

Notification:

Observations/Alternatives:

The revised document (with a 90-day extension) is now proposed to read:

FIRST AMENDMENT TO REAL ESTATE CONTRACT

This FIRST AMENDMENT TO REAL ESTATE CONTRACT ("**Amendment**") is dated ____ between **THE HOUSING AND REDEVELOPMENT AUTHORITY IN AND FOR THE CITY OF RAMSEY, MINNESOTA**, a public body corporate and politic under the laws of the State of Minnesota ("**Seller**") and **McDONALD'S USA, LLC**, a Delaware limited liability company ("**Purchaser**"). The following statements are a material part of this Amendment:

- A. Seller and Purchaser entered into a Real Estate Contract dated December 19, 2012 ("Contract") for the property described in Exhibit A attached to the Contract and incorporated into this Agreement by this reference.
- B. Purchaser has expended considerable time, money and effort to satisfy the conditions precedent in the Contract.
- C. The expiration of the Contingency Period is about to occur, and the parties desire to extend such date.

THEREFORE, in consideration of the mutual covenants contained in the Contract and other good and valuable consideration, the receipt of which is hereby acknowledged between the parties, Seller and Purchaser agree as follows:

1. The expiration of the Contingency Period set forth in Article 6A of the Contract is extended to expire on October 9, 2014.
2. Except as modified by this Amendment, the Contract is ratified and confirmed by the parties.
3. This Amendment may be signed in one or more counterparts, all of which taken together shall constitute one and the same document.

Recommendation:

It is recommended that the HRA approve First Amendment to the Real Estate Contract Between the Ramsey HRA and McDonalds USA, LLC with an extension of the contingency period to October 9, 2013.

Extending the contingency period will allow the City to proceed to closing with all contingencies removed. Not approving the extension could potentially allow McDonald's to walk away or self-perform on the project improvements, neither option is desirable given the desire of the HRA to close on the property and to complete the site improvements in a timely manner.

Funding Source:

Not applicable.

Action:

Approve First Amendment to the Real Estate Contract Between the Ramsey HRA and McDonalds USA, LLC with an extension of the contingency period to October 9, 2013.

Attachments

Amendment to McDonalds Contract

Form Review

Inbox	Reviewed By	Date
Kurt Ulrich	Kurt Ulrich	06/06/2013 05:16 PM
Form Started By: Jo Thieling		Started On: 06/06/2013 01:20 PM
		Final Approval Date: 06/06/2013

Ramsey, Minnesota
Sunwood Drive
L/C: 022-0575

FIRST AMENDMENT TO REAL ESTATE CONTRACT

This FIRST AMENDMENT TO REAL ESTATE CONTRACT ("**Amendment**") is dated _____ between **THE HOUSING AND REDEVELOPMENT AUTHORITY IN AND FOR THE CITY OF RAMSEY, MINNESOTA**, a public body corporate and politic under the laws of the State of Minnesota ("**Seller**") and **McDONALD'S USA, LLC**, a Delaware limited liability company ("**Purchaser**"). The following statements are a material part of this Amendment:

A. Seller and Purchaser entered into a Real Estate Contract dated December 19, 2012 ("**Contract**") for the property described in Exhibit A attached to the Contract and incorporated into this Agreement by this reference.

B. Purchaser has expended considerable time, money and effort to satisfy the conditions precedent in the Contract.

C. The expiration of the Contingency Period is about to occur, and the parties desire to extend such date.

THEREFORE, in consideration of the mutual covenants contained in the Contract and other good and valuable consideration, the receipt of which is hereby acknowledged between the parties, Seller and Purchaser agree as follows:

1. The expiration of the Contingency Period set forth in Article 6A of the Contract is extended to expire on January 7, 2014.
2. Except as modified by this Amendment, the Contract is ratified and confirmed by the parties.
3. This Amendment may be signed in one or more counterparts, all of which taken together shall constitute one and the same document.

End of Text. Signatures on next page.

To indicate their agreement to the above, the parties or their authorized representatives or officers have signed this document.

SELLER:
THE HOUSING AND REDEVELOPMENT
AUTHORITY IN AND FOR THE CITY OF
RAMSEY, MINNESOTA, a public body corporate
and politic under the laws of the State of Minnesota

PURCHASER:
McDONALD'S USA, LLC
a Delaware limited liability company

By: _____
Its: _____
Name: _____

By: _____
Its: _____

By: _____
Its: _____
Name: _____

(ACKNOWLEDGMENTS OF ALL SIGNATURES)

Meeting Date: 06/11/2013**By:** Bruce Westby, Engineering/Public Works

Information**Title:**

Adopt Resolution #HRA-13-06-107 Accepting Bids and Awarding Contract for COR TWO (Sunwood Retail) Stage 1 Improvements

Background:

The COR TWO (Sunwood Retail) Stage 1 (common) improvements project area is bounded by Armstrong Boulevard to the west, Sunwood Drive to the east and north, and the initial COR development to the south. The Stage 1 improvements include minor site grading and construction of private bituminous access drives and utility trunk and service lines to serve the three platted commercial parcels. On-site stormwater treatment improvements, both temporary and permanent, are also proposed.

On October 16, 2012, the HRA approved a work order with Landform Professional Services, LLC to prepare plans and specifications for the COR TWO Stage 1 improvements. The plans and specifications for the Stage 1 improvements were completed and delivered to city staff on May 17, 2013, and the project was advertised for bids from May 17th through June 6th in the Anoka Union and in Finance and Commerce, as well as on-line using QuestCDN. One addendum was issued during the time the project was out for bids to address city staff's review comments. The addendum included the addition of two missing bid items, bituminous material for tack coat and premium topsoil, modified the bid unit for aggregate base class 5 from cubic yards to tons, and modified several turf establishment bid items, most notably by specifying hydroseeding instead of seeding and mulching.

Notification:

No notifications were provided in regards to this item.

Observations/Alternatives:

As was discussed at the April 9th and May 14th regular HRA regular meetings, one of the three platted parcels includes the proposed McDonald's USA, LLC development in the northwest corner of the project site. McDonald's informed the city that they wish to develop the site this year, with the intent of opening for business this fall. To allow McDonalds to meet this schedule, the HRA accepted plans and specifications and authorized advertising for bids on May 14th.

Staff is now requesting the HRA to accept the two bids received on Friday, June 7, 2013, which were checked for errors and omissions by the design engineer, and to award a contract for the COR TWO Stage 1 improvements to the lowest responsible bidder, Douglas-Kerr Underground, LLC of Mora, Minnesota, in the amount of \$241,875.50 for the base bid, or in the amount of \$311,993.55 for the base bid plus alternate bid. Substantial completion of the project is anticipated to occur on or before August 2nd, with final completion on or before September 13th. As was discussed previously, McDonald's development team has indicated they are agreeable to these milestones.

The HRA is being asked to consider whether to approve construction of the temporary above-ground ponds, or the permanent below ground storage chamber stormwater improvements at this time. Based on the lowest responsible bid, the cost to construct the temporary at-grade ponding improvements per the base bid will be \$70,118.05 less than the permanent stormwater improvements per the alternate bid. The temporary improvements can be constructed at this time, then once a development proposal is received for the south parcel and/or the Sophia Ramsey site the permanent stormwater treatment improvements can be constructed at a later date with little sunk cost.

Alternatives

Alternative #1 - Accept bids and award contract to the lowest responsible bidder, Douglas-Kerr Underground, LLC of Mora, Minnesota in the amount of \$241,875.50 for the base bid improvements only. Based on the knowledge that these improvements need to be constructed (with some potential for parallel construction) before McDonald's will close on the parcel, and since construction of the temporary stormwater improvements as reflected in the base bid will allow for the greatest flexibility in development options in the future and will better allow us to meet the timelines specified in the existing real estate contract, this is staff's preferred option.

Alternative #2 - Accept bids and award contract to the lowest responsible bidder, Douglas-Kerr Underground, LLC of Mora, Minnesota in the amount of \$311,993.55 for the base bid plus alternate bid improvements. This alternative also addresses the fact that these improvements need to be constructed (with some potential for parallel construction) before McDonald's will close on the parcel, and it will still meet the timelines specified in the existing real estate contract. However, construction of the permanent stormwater improvements reflected in the alternate bid will provide the least flexibility in development options in the future. Therefore, this is staff's second preferred option.

Alternative #3 - Do not accept bids or award a contract at this time. This is not staff's recommended alternative. Per the real estate contract, McDonald's possesses a right to cure provision so if the HRA does move forward with the improvements, McDonald's could essentially choose to still proceed to closing, hold land sale proceeds in escrow (at 1.5 times the cost of completing the improvements), and could choose to complete the improvements using said escrow funds. In addition, the real estate contract does specify that the HRA shall construct the improvements. Staff therefore advises the HRA, after discussion with legal counsel, that Alternative #1 or #2 will provide the HRA the most security and control over the installation of the improvements.

Recommendation:

Staff recommends that the HRA adopt Resolution 13-06-107 accepting bids and awarding a contract for the COR TWO (Sunwood Retail) Stage 1 improvements for the base bid improvements only, which provides for construction of the temporary stormwater improvements at this time which will reduce initial construction costs by over \$70,000 while allowing for the greatest flexibility for future site development proposals.

Funding Source:

The lowest responsible bid for the base bid improvements is \$241,875.50, while the lowest responsible bid for the base bid plus alternate bid is \$311,993.55. Ultimately, funding for the improvements will come from land sale proceeds but at this time only McDonald's USA, LLC, has committed to purchasing a parcel so the project will require an interim funding source. Per the Real Estate Contract with McDonald's USA, LLC, the HRA must begin construction on the improvements prior to closing with McDonald's so an interim funding source must be identified at this time. The interim funding source is proposed to be the COR Revolving Fund. Based on this interim loan, the interim funding will experience a negative interest. The HRA can then pay itself back through additional land sales of the two remaining COR TWO parcels, with the intent being to split the construction costs for the Stage 1 improvements between the three parcels on a pro-rata basis, which McDonalds has previously consented to.

Action:

Motion to adopt Resolution #HRA-13-06-107 accepting bids and awarding a contract for the COR TWO (Sunwood Retail) Stage 1 improvements to the lowest responsible bidder, Douglas-Kerr Underground, LLC of Mora, Minnesota in the amount of \$241,875.50 for the base bid improvements only, or in the amount of \$311,993.55 for the base bid plus alternate bid improvements.

Attachments

HRARes IP13-11 AcptBidsAwdCntret

Form Review

Inbox

Reviewed By

Date

Kurt Ulrich
Bruce Westby (Originator)
Form Started By: Bruce Westby

Kurt Ulrich
Bruce Westby
Final Approval Date: 06/07/2013

06/06/2013 03:17 PM
06/07/2013 04:54 PM
Started On: 06/03/2013 09:11 AM

Commissioner _____ introduced the following resolution and moved for its adoption:

HRA RESOLUTION #13-06-107

RESOLUTION ACCEPTING BIDS AND AWARDING CONTRACT FOR COR TWO (SUNWOOD RETAIL) STAGE 1 IMPROVEMENTS

WHEREAS, pursuant to a motion of the Ramsey Housing and Redevelopment Authority, adopted April 9, 2013, authorizing the completion of plans and specifications for the COR TWO (Sunwood Retail) Stage 1 (common) improvements; and

WHEREAS, pursuant to a motion of the Ramsey Housing and Redevelopment Authority, adopted May 14, 2013, accepting plans and specifications and authorizing advertisement for bids for making the COR TWO (Sunwood Retail) Stage 1 (common) improvements including street, utility and drainage improvements, and other necessary appurtenant work, bids were received, opened, and tabulated, and the following bids were found to comply with the advertisement for bids:

CONTRACTOR	TOTAL BASE BID	TOTAL BASE BID W/ ALTERNATE
Douglas-Kerr Underground, LLC	\$241,875.50	\$311,993.55
New Look Contracting, Inc.	\$249,629.25	\$322,521.75
Engineer's Estimate	\$221,896.11	\$266,909.68

WHEREAS, the bid of Douglas-Kerr Underground, LLC of Mora, Minnesota in the amount of \$241,875.50 for the total base bid, and in the amount of \$311,993.55 for the total base bid and approved alternate bid, for the construction of said improvements in accordance with the approved plans and specifications and advertisement for bids, is the lowest responsible bid and shall be and hereby is accepted; and

NOW THEREFORE, BE IT RESOLVED BY THE HOUSING AND REDEVELOPMENT AUTHORITY OF THE CITY OF RAMSEY, ANOKA COUNTY, STATE OF MINNESOTA:

- 1) The Chair of the Housing and Redevelopment Authority and the Executive Director are hereby authorized and directed to enter into a contract with said bidder for the construction of said improvements for and on behalf of the Housing and Redevelopment Authority.
- 2) The Executive Director is hereby authorized and directed to return forthwith to all bidders the deposits made with their bids at such time that a contract has been executed.

The motion for the adoption of the foregoing resolution was duly seconded by Commissioner _____ and upon vote being taken thereon, the following voted in favor thereof:

Chairperson Backous
Commissioner LeTourneau
Commissioner Kuzma
Commissioner Riley
Commissioner Strommen
Commissioner Tossey

and the following voted against the same:

none

and the following abstained:

none

and the following were absent:

none

Whereupon said resolution was declared duly passed and adopted by the Ramsey Housing and Redevelopment Authority this the 11th day of June, 2013.

Chair

ATTEST:

City Clerk

Meeting Date: 06/11/2013

Submitted For: Kurt Ulrich

By: Jo Thieling, Administrative Services

Information

Title:

Approve Purchase Agreement for North Commons COR III (portions may be closed to the public)

Background:

At the regular meeting of April 23, 2013, the HRA considered an offer to purchase residential lots within the COR III North Commons development.

At the regular meeting of May 28, 2013, the HRA was presented with four options relating to the North Commons site. Following discussion, the HRA approved pursuing Option 2 which would include the development of the four lots on the west side of the park only. The four house pads were previously rough graded so the work to develop the four lots would simply require construction of water and sanitary sewer services, repairing the street where the services were connected to the main, constructing driveway aprons and sidewalks across all four lots, and constructing a storm sewer outlet for the wetland located within the park.

Two independent parties have presented offers to purchase all four lots.

Notification:

Observations/Alternatives:

The proposed park lots are fully graded and soils have been corrected on the building pads. Due to the adjacency to the City Park these can be considered "premium lots" which will command a higher price than the smaller standard lots existing or proposed for other areas of this neighborhood.

The original pro-forma for this development showed the price range for the park lots from \$50,000-\$60,000. The City had entertained purchase offers for the small non-park lots at the low end of their range, \$35,000.

The City can either negotiate a sale with one of the two interested parties, or "go out to the market" with a broader distribution to all local builders to see what interest their might be at the mid to higher range of the projected sales.

A negotiated sale with one of the interested parties will give the City the quickest turn-around on these properties. Waiting additional time to market the properties may result in a higher sales price, but might push any construction back to the next season.

The City could also list these properties at a fixed amount with a real estate agent. The agent's fee would add an expense to this transaction.

Recommendation:

Staff recommends that the City negotiate the sale of the lots with the interested buyers in order to expediate the sale of these properties and consider the original pro forma numbers as a starting point. Both parties represent local builders, who have previously shown interest in the lots. A second option is to open up with a direct solicitation to local builders.

Funding Source:

Improvements to the properties would be installed with internal borrowing and paid back with land proceeds.

Action:

Negotiate the sale of lots with interested parties.

Attachments

North Commons Pro forma Dev Costs

Form Review

Inbox

Kurt Ulrich

Reviewed By

Kurt Ulrich

Date

06/06/2013 08:01 PM

Form Started By: Jo Thieling

Started On: 06/06/2013 01:09 PM

Final Approval Date: 06/06/2013

North Commons Development Pro-forma 3.0

11/13/2012
DBL

Development Costs
REVISED 11/19/2012 (TG as to Development Fees only)

Income	Units	High		Median		Low		Notes:
		Price/EA	Extended					
Lot Sales								
Block 1 Lot Sales	13	\$ 45,000	\$ 585,000	\$ 40,000	\$ 520,000	\$ 35,000	\$ 455,000	Initial Lot sale - \$35,000
Block 2 Lot Sales	4	\$ 60,000	\$ 240,000	\$ 55,000	\$ 220,000	\$ 50,000	\$ 200,000	
Stormwater Fund Transfer			\$ 150,000		\$ 150,000		\$ 150,000	Covers Bunker crossing and Park outlet structure.
Total	17		\$ 975,000		\$ 890,000		\$ 805,000	
Expenses								
Construction								
		Cost	Adjusted					
Sanitary Sewer		\$ 420,000	(actual)	\$ 420,000	(actual)	\$ 420,000	(actual)	
Watermain								Resolves unrelated issues
Storm Sewer								Takes share of final lift
Streets								
Grading								
Resolution to Bunker STS		\$ 75,000		\$ 75,000		\$ 75,000		Allowance only - pending final design
Park Share of Const		\$ 40,000		\$ 40,000		\$ 40,000		Participates in Park
Misc		\$ 6,000		\$ 6,000		\$ 6,000		
Construction Contingency		5% \$ 27,050		\$ 27,050		\$ 27,050		
		\$ 568,050	\$ 568,050	\$ 568,050		\$ 568,050		
Sub-Total			\$ 406,950		\$ 321,950		\$ 236,950	
Professional Fees								
			Total					
Legal			\$ 5,000					
Engineering/Survey			\$ 22,000					
Construction Administration			\$ 8,000					
Development Fee	17	\$ 3,700	\$ 62,900					Based on \$185,000 avg sale price
Closing Costs		5%	\$ 48,750					Incl \$3,500 for Bunker Lake Blvd STS design
			\$ 146,650					
Sub-Total			\$ 260,300		\$ 175,300		\$ 90,300	
Development Fees								
	Units	PerUnit	Adjusted					
Park Dedication	17	\$ 2,475	\$ 42,075	\$ 42,075				
Trail Development Fee	17	\$ 600	\$ 10,200	\$ 10,200				
Water Lateral	17	\$ 6,143	\$ 104,431	\$ 34,431	Need to verify			Offset \$70,000 by cost to serve
Sanitary Sewer Lateral	17	\$ 3,328	\$ 56,576	\$ (3,424)	Need to verify			Offset \$60,000 by cost to serve
Water Trunk	17	\$ 1,558	\$ 26,486	\$ 26,486				
Sanitary Sewer Trunk	17	\$ 1,099	\$ 18,683	\$ 18,683				
Stormwater Management	17	\$ 448	\$ 7,616	\$ -	Need to verify			Resolves STS issues / Add storage
			\$ 266,067	\$ 128,451				
Sub-Total			131,849	46,849			(38,151)	
Acquisition								
	SqFt	\$/acre	Extended	Total				Notes
Original Acquisition	112200	\$ -	\$ -	\$ -				buildable lot area - s/b 273k
Sub-Total			131,849	46,849			(38,151)	
		Proceeds	HRA	131,849	46,849	(38,151)		Proceeds to HRA
		City	168,451	168,451				Proceeds to City
		NET	300,300	215,300	130,300			Does not include building permit fees or additional tax base

Engineering Inspection Fees? 5% (stormwater, sanitary, water)

Dates:

Prepared Pre Plat	5/1/2012		
PA for first Lot	6/1/12		
Approve Plans and Specs	7/10/12		
Consider Award	8/13/12	Rejected all bids and rebid	Low- \$461,752
Bids Received	10/30/12		

DM Fee comps

Total Hard Costs		\$568,050
Total Soft Costs		\$212,201
Lot Costs	\$	48,529.41
Total Building Costs	115000	\$1,955,000
OHP	15%	\$417,567
		<u>\$3,201,347</u>
Dev Fee	2%	\$64,027
Average home value		\$185,000
DM Fee	2%	\$62,900

Meeting Date: 06/11/2013

Submitted For: Kurt Ulrich

By: Jo Thieling, Administrative Services

Information

Title:

Purchase / Exchange of Property Outlot A RTC 8th Addition (This discussion may be closed to the public)

Background:

A letter of intent, dated May 28, 2013, addressed to HRA Chairperson Backous, was received from the office of Erhart & Elfelt, LLC. The letter of intent relates to a parcel of property that PSD, LLC is interested in purchasing from Ramsey HRA and exchanging parcels of property. The letter and exhibits are attached to this case.

The letter states the following:

1. Purchase: That PSD is interested in purchasing a three-acre parcel that is generally described as Outlot A of the Ramsey Town Center 8th Addition. (See Exhibit A) The City acknowledges that PSD plans to develop the property - intending to construct 12 twin homes that would consist of 24, one-level ADA residences. The City acknowledges that it is unaware of any prohibitions of developing the land with the usage as designated. (See Exhibit B) The purchase price for the three acres will be \$130,680. The City would agree to complete the second lift on the streets that abut the purchased property. These streets include Zeolite Street NW, 147th Terrace NW, and Willemite Street NW. The City agrees there are no outstanding assessments to the properties.
2. Exchange: That PSD is the owner of the portion of Outlot A of the RTC 13th that consists of about 3.36 acres. (See Exhibit C). PSD is also the owner of Outlot B of the RTC 13th. Outlot B is property that will be utilized for a common easement for ingress and egress to adjoining property including Outlot A of the RTC 13th. The City is the owner of Outlot A of the RTC 7th. (See Exhibit D) The intent is that PSD will exchange Outlot A of the RTC 13th for Outlot A of the RTC 7th. There would be no cash funds transferred.

The letter continues that for both purchase and exchange of property, the parties agree as follows: The party ending up the owner for any piece of property would be responsible for any WAC and SAC charges for connections. The party transferring the property will give marketable title. Both parties warrant that there are no environmental issues and both parties have the right to do environmental studies. Any title work and closings would occur at Registered Abstracters in Anoka. Any descriptions or civil engineering would be prepared by Bolton and Menk. The exchange would be handled as to allow PSD to qualify for a like-kind exchange. The closing would occur before July 1, 2013.

Notification:

Observations/Alternatives:

1) Purchase proposal:

- This land was originally planned for 60 units and the proposal is to construct 24. The reduction of 36 units would need to be added to other areas of the COR to meet housing projections.
- Sewer and water services have been installed to each of the proposed 60 units in the previous plan. This will add value to this property for the proposed townhome development, however, it is likely the several service installations will need to be added for the proper alignment with the units.
- This is a more appropriate area for the type of unit proposed earlier this year by PSD/Mary T. because it would

have reduce architectural design requirements.

- The land is currently not platted and therefore would have development expenses and fees.
- Funds to construct the final lift of asphalt on the streets are current held in escrow (from the previous developer), so the City will be able to provide that at no additional cost.
- The proposed purchase price for the 3 acre parcel is about \$1 per square foot (\$130,680). Current cost basis in the land, fully loaded, are about \$7.16 per square foot (\$935,669). The market value of the property, improved, may be in the \$3-5 per square foot range, but staff will need to do additional research.
- Conclusion: the offer for the property is low for the value of the property. However, this property has been vacant for a number of years, unsightly, highly visible to Bunker Lake Road, and is difficult to develop with other product types. The City should consider a counter proposal as it would be a benefit to have this parcel developed.

2). Land Exchange Proposal:

A) PSD Parcel (proposed to be given to the City)

- 3.38 acres in size
- About one-half the site is currently a drainage easement in favor of the City. The City Engineer has determined that the area is not needed for the current drainage plan and the easement may be vacated and the area filled to make a buildable lot.
- this parcel is commercial/office land and has exposure to Highway 10.
- The property is located next to the Medical Examiners Office which may limit some uses.
- The property is triangular in shape which diminishes its value for development.
- The site plan for the area surrounding this property is current unknown.
- This property is planned to have a single-loaded frontage road on the south, and a road on the east side that will be a development expense.
- The most likely use for this property is as an office building.

B) City Parcel (proposed to be received by PSD)

- 3.36 acres in size
- This parcel appears to be at-grade and to have good soil conditions.
- This parcel is on existing roadways with only minor road modifications needed.
- The parcel is close to COR amenities such as the Draw Park, Lake Ramsey, and the Parkway.
- The property is highly visible and and "entry-way" parcel to the development. Construction of a quality project on this site would be a plus.
- The City has had strong interest in this site from multi-family developers due to its location to transit and other site amenities.
- The property is a square-shape which maximizes its use for development.

Recommendation:

Staff recommends that the HRA offer a counter proposal on the land sales price for purchase and consider other parcels that are more comparable in value for the land exchange.

Funding Source:

Not applicable.

Action:

Staff recommends a discussion in closed session to consider this real estate negotiation.

Attachments

Letter of Intent

Form Review

Inbox

Kurt Ulrich

Reviewed By

Kurt Ulrich

Date

06/06/2013 07:25 PM

Form Started By: Jo Thieling

Started On: 06/05/2013 05:00 PM

Final Approval Date: 06/06/2013

ERHART & ELFELT, LLC

Attorneys

William A. Erhart
Tony Elfelt

Paralegals

Lori Ebel
Sandra Neely

May 28, 2013

BY E-MAIL & US MAIL
rbackous@ci.ramsey.mn.us

Mr. Randy Backous
City of Ramsey HRA
7550 Sunwood Drive NW
Ramsey, MN 55303

Re: Purchase/Exchange of Property

Dear Mr. Backous:

This letter of intent relates to a parcel of property that PSD, LLC is interested in purchasing from Ramsey HRA and exchanging parcels of property. This letter of intent is submitted with the intent that either both or neither occur. The general **non-binding** terms are outlined as follows:

1. Purchase.

- a. PSD, LLC is interested in purchasing a 3 acre parcel that is generally described as Outlot A of the Ramsey Town Center 8th Addition. This is demonstrated in the highlighted portion of Exhibit A.
- b. The City acknowledges that PSD, LLC plans to develop the property set forth on Exhibit B. PSD, LLC intends on constructing 12 twin homes that would consist of 24 one level ADA residences. The City acknowledges that it is unaware of any prohibitions of developing the land with the usage as designated on this exhibit.
- c. The purchase price for the 3 acres will be \$130,680.
- d. The City would agree to complete the second lift on the streets that abut the purchased property. These streets include Zeolite Street NW, 147th Terrace NW, and Willemite Street NW.
- e. The City agrees that there are no outstanding assessments to the properties.

2. Exchange.

- a. PSD, LLC is the owner of the portion of Outlot A of the Ramsey Town Center 13th that consists of about 3.36 acres that is demonstrated in the highlighted portion of Exhibit C.
- b. PSD, LLC is also the owner of Outlot B of the Ramsey Town Center 13th. Outlot B is property that will be utilized for a common easement for ingress and egress to adjoining property including Outlot A of the Ramsey Town Center 13th.
- c. The City is the owner of Outlot A of the Ramsey Town Center 7th. See Exhibit D.

- d. The intent is that PSD, LLC will exchange Outlot A of the Ramsey Town Center 13th for Outlot A of the Ramsey Town Center 7th. There would be no cash funds transferred.

For both Purchase and Exchange of Property, the parties agree intend as follows:

1. The party ending up the owner for any piece of property would be responsible for any WAC and SAC charges for connections.
2. The party transferring the property will give marketable title.
3. Both parties warrant that there are no environmental issues and both parties have the right to do environmental studies.
4. Any title work and closings would occur at Registered Abstracters in Anoka.
5. Any descriptions or civil engineering would be prepared by Bolton & Menk.
6. The exchange would be handled as to allow PSD, LLC to qualify for a like-kind exchange.
7. The closing would occur before July 1, 2013.

If you have any questions, please feel free to contact me.

Very truly yours,

ERHART & ELFELT, LLC



William A. Erhart
erhart@erhartlegal.com

WAE:lle
Enclosure

The undersigned has reviewed and agrees to the above terms of this Letter of Intent.

Dated: _____

Dated: _____

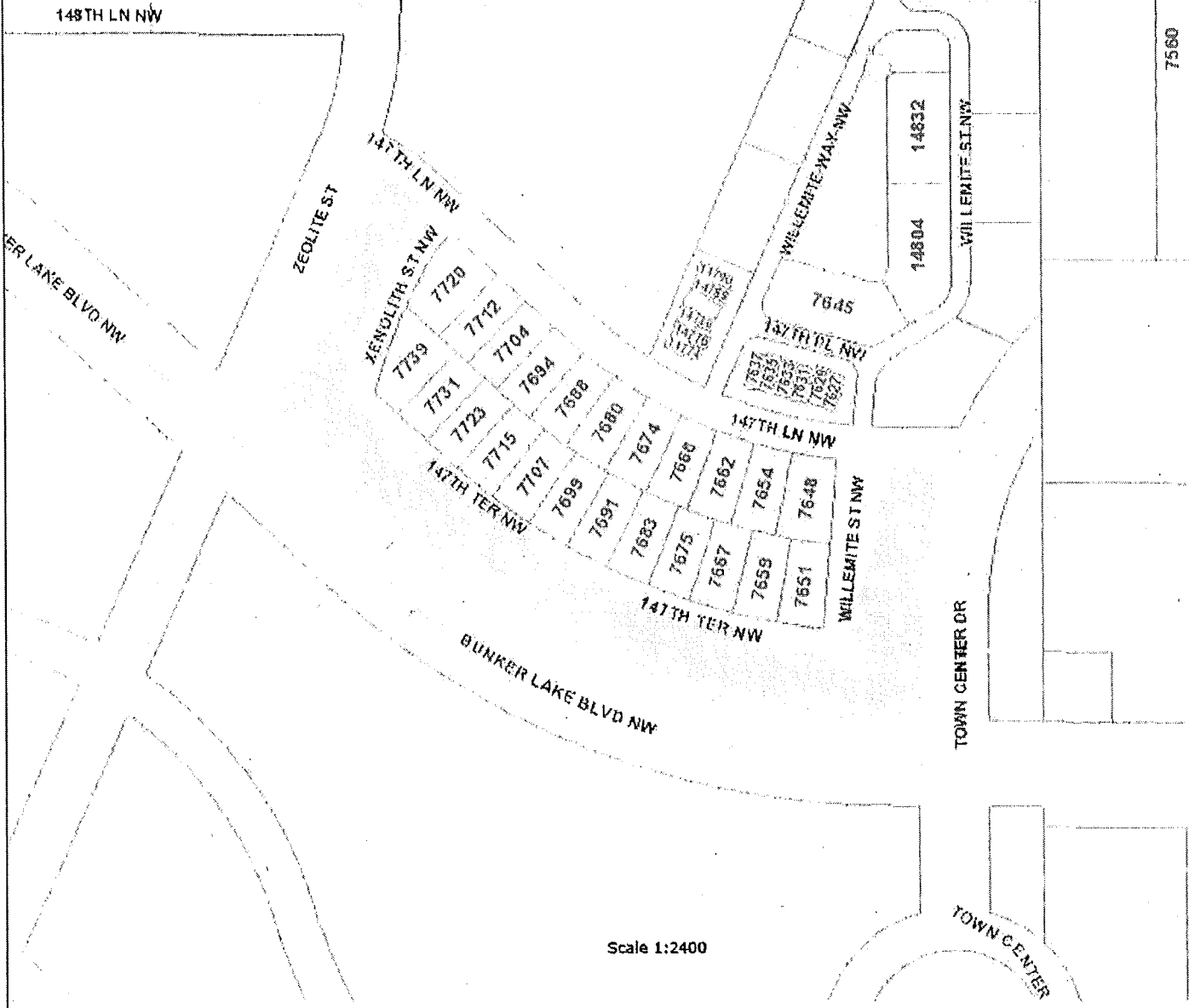
PSD, LLC

City of Ramsey HRA



OL A, RTC 8th ADD

149TH AVE NW						
7817	7809	7801	7795	7787	7779	7771
7763	7755	7747	7739	7731	7723	7715
7707	7699	7691	7683	7675	7667	7659
7651	7643	7635	7627	7619	7611	7603
7595	7587	7579	7571	7563	7555	7547



Scale 1:2400



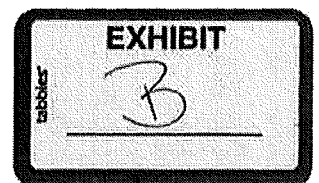
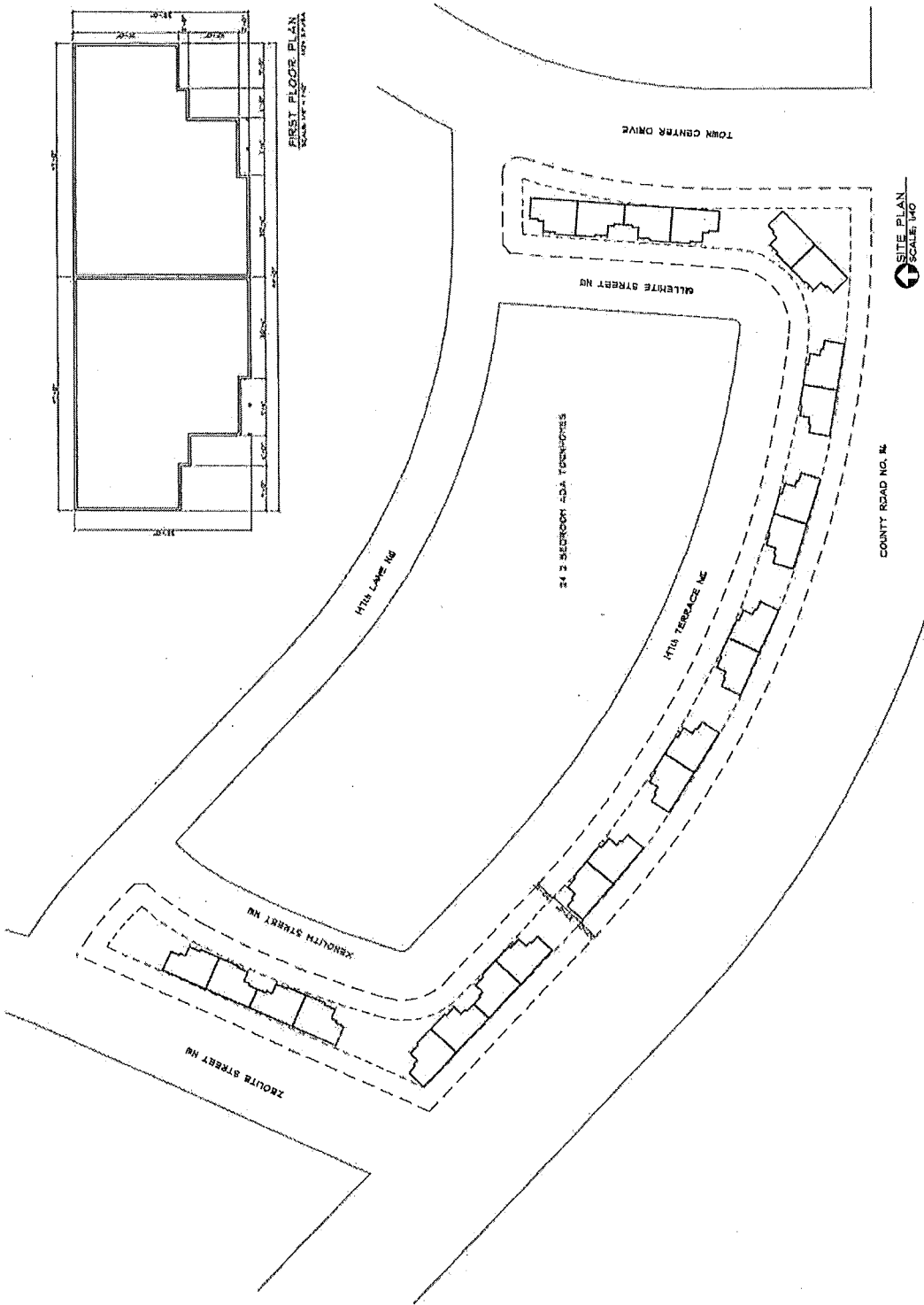
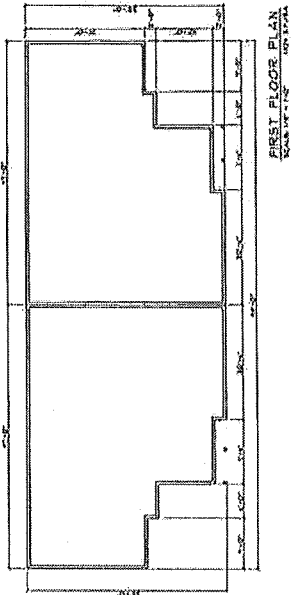
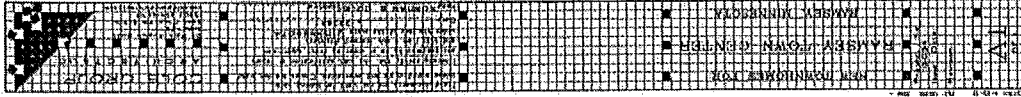
Aerial Photo: Flown Spring 2011

Prepared by Anoka
County GIS Department

This map is a representation of the data as of the date of the aerial photograph. It is not a warranty of accuracy. The user should verify the accuracy of the data for their own purposes. The user should also verify the accuracy of the data for their own purposes.

EXHIBIT

A





Portion of OL A, RTC 13th

3.36 acres

SUNWOOD DR

SUNWOOD DR

RHINESTONE NW

MIDWEST MEDICAL
EXAMINERS
OFFICE

STER DR

CIVIC CENTER DR

CIVIC CENT

7443

7435

7411

7405

HIGHWAY 10

7255

Scale 1:2400

7245

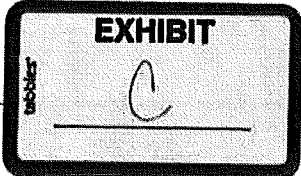
7205

Aerial Photo: Flown Spring 2011



Prepared by Anoka
County GIS Department

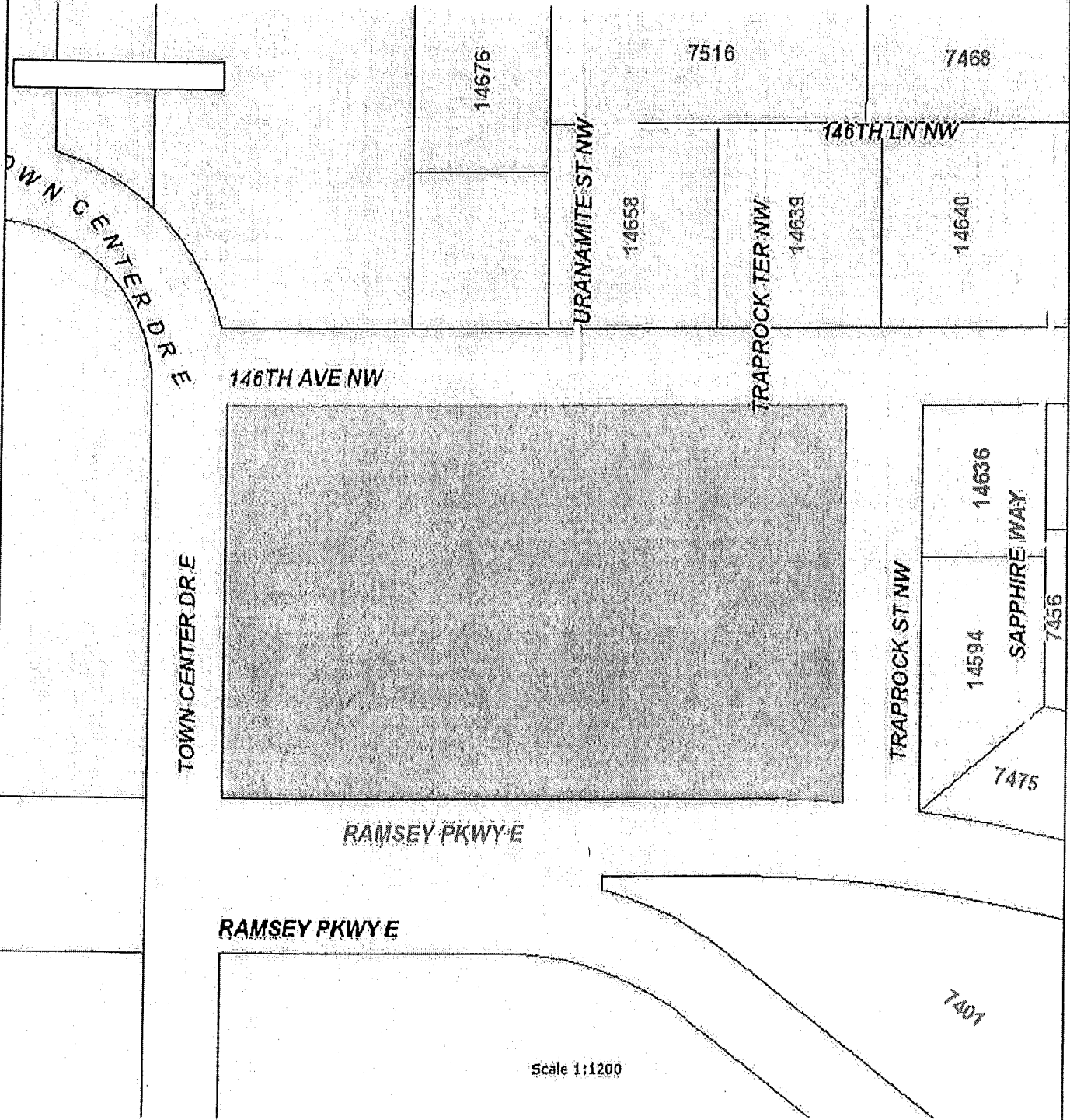
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OL A, RTC 7th Add

3.38 acres



Scale 1:1200



Aerial Photo: Flown Spring 2011



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