

# **POLICY FOR THE SALE OF CITY OWNED LAND**

City of Ramsey, Anoka County, Minnesota

This policy was adopted by the City Council on April 14, 2015.

This policy replaces the City's former *Policy for the Disposition of City Owned Land* adopted on June 12, 2012.

## **SECTION 1: PURPOSE**

- A. Establish a formal, equitable and efficient process for the sale of city owned land.
- B. Establish decision-making criteria to aid policy makers as they consider offers to purchase city owned land.
- C. Establish general policy direction to aid staff as they negotiate with prospect buyers interested in purchasing city owned land.

## **SECTION 2: GOVERNANCE**

This policy and process shall be facilitated by the Ramsey Economic Development Authority (EDA). The Ramsey EDA shall develop recommendations related to this process and policy for City Council consideration. The Ramsey EDA does not have final decision-making authority related to this policy and process. With reasonable cause, including responding to prospects in a timely manner, the City Council may bypass the EDA from any, or all, portions of this policy or process.

## **SECTION 3: PUBLIC BENEFIT**

The sale of surplus City-owned properties has a number of benefits to the community:

- (1) Reduced City property maintenance costs
- (2) Reduced City liability
- (3) Increased property tax revenues
- (4) Reduced City resources needed for management of City owned parcels
- (5) Reallocation of parcels to fit in line with long term City needs and goals

## **SECTION 4: SURPLUS CITY OWNED LAND PROCESS**

Upon direction from the City Council, city staff shall develop an inventory of city owned land; and determine properties unneeded for current or future city functions and available for sale. The City may consider parcels surplus City owned land if at least one of the following criteria/needs is not met:

- (1) Economic development purposes; including removal of blighted properties and enhancing the City's tax base
- (2) Housing development purposes; including removal of blighted properties
- (3) Public works, maintenance, engineering, administration, recreation or public safety: facilities, staging or storage areas
- (4) Public right of way; including roads, railroads and airports
- (5) Drainage, wetland and utility easements
- (6) Public parks, trails and open space
- (7) Any other reasonable use determined by the City Council

After a property is deemed surplus City owned land, consideration for the sale or disposition of property depend on the criteria outlined below.

- (1) Ability to develop (utilities, size, stormwater, soils, roads, legal restrictions, etc.)
- (2) Public input and feedback regarding potential future development
- (3) Feasibility Report:  
All costs incurred by the City in order to sell surplus City owned land should be weighed against a payback to the City in property taxes; and land sale proceeds. This specific calculation, and the City's acceptance threshold may change on a project-to-project basis.
- (4) Any other reasonable cost determined by the City Council

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## SECTION 5: MARKETING PROCESS

Upon direction from the City Council, city staff shall actively market city surplus owned property available for sale. The process of marketing City owned land should include the following items:

### Marketing Process

- a. Establish whom shall actively market the sale of City owned land: city staff or a third-party professional services firm.
- b. Establish an asking price.
- c. Establish an acceptable sale price range\*
- d. Develop and Distribute Basic Marketing Materials and Site Information
- e. Complete site preparation due diligence; see below.  
Standard due diligence will be completed for all properties available for sale. Staff will develop a recommendation for EDA and Council consideration for optional due diligence.

#### *STANDARD*

- (1) ALTA Survey (Table A, items: 1-4, 6, 8, 11a, 21)
- (2) Title Commitment

#### *OPTIONAL (elected)*

- (3) Phase 1 Environmental Site Assessment (ESA), Phase 2 ESA, Limited Site Investigation (LSI), Response Action Plan (RAP)
- (4) Analysis of Site Specific Available Economic Development Incentives
- (5) Geotechnical Soils Evaluation
- (6) Hazardous Materials Survey
- (7) Wetland Delineation
- (8) Concept Site Design
- (9) Building Demolition/Site Clean-Up
- (10) Shovel Ready Certification
- (11) Other work as determined by the Ramsey City Council

#### \*Acceptable Price Range

An acceptable sale price range will be developed by a third party professional; and subsequently adopted by the City Council in closed session. Staff will utilize this price range to negotiate land sale prices with prospects. Staff will attempt to maximize the sale price in all land transactions; and shall be authorized to make counter offers to prospective buyers. If offers received are below the acceptable price range, staff has the authority to deny an offer. The City may decide to sell a property below the acceptable sale price range for economic development purposes, to achieve strategic goals set by the City Council, or any other reasonable cause determined by the City Council. Economic development projects should be evaluated within the context of the City's adopted business subsidy policy.

## **SECTION 6: SALE PROCESS**

The purpose of this section is to outline the process in which staff shall work with prospect buyers to negotiate the sale of surplus City owned land.

### Step 1: Letter of Intent (LOI)

- A. Prospect buyer submits written correspondence identifying their interest in purchasing City owned land. Correspondence should include as much detail as reasonably possible. A “term-sheet” or “deal-summary” are acceptable for this step.
- B. Staff shall review the written proposal. Based on staff’s determination, if the proposal fails to meet the intent of this policy or direction from the City Council and EDA, staff shall provide a recommendation to the prospect buyer to reconsider/amend their LOI; or request additional information (see Section 7, G).
- C. EDA and City Council LOI consideration. Staff shall prepare a case write-up, decision alternatives, and recommendation for action. The EDA shall then provide a recommendation for City Council consideration. The City Council shall provide general policy direction. The City Council may provide direction to the prospect buyer to draft a formal purchase agreement for further consideration.

### Step 2: Purchase Agreement (PA)

- A. Prospect buyer submits a formal PA identifying their proposed terms and conditions for purchasing City owned land.
- B. Staff and the City attorney shall evaluate the proposed PA in context of the City’s preferred PA terms outlined in Section 7 of this policy. Based on staff’s determination, if the proposed PA fails to meet the intent of this policy or direction from the City Council and EDA, staff shall provide a recommendation to the prospect buyer to reconsider/amend terms and conditions within the proposed PA.
- C. EDA and City Council PA consideration. Staff shall prepare a case write-up, decision alternatives, and recommendation for action. The EDA shall then provide a recommendation for City Council consideration. The City Council shall then consider the proposed PA and may provide direction to reject, amend or execute.

### Step 3: Closing

- A. Staff and the City Attorney shall execute the closing of all PAs. Staff will execute closing based on language included in the respective PA and Section 7 and 8 of this policy.

### EDA Review Alternatives

The EDA may utilize the following methods for review: (1) regular monthly EDA meeting (2) special EDA meeting; which may not require a quorum (3) one-way, one-time email feedback from individual EDA members directly to staff only (4) EDA participation in City Council meeting (4) no EDA review. Review alternatives shall be utilized based on the order outlined in this provision. Please see Section 2 of this policy for details on governance.

## SECTION 7: REQUIRED TERMS & CONDITIONS

The purpose of this section is to outline minimum terms and conditions that shall be included in PAs for the sale of City owned land. These terms and conditions may be waived or negotiated by the City Council.

The City shall develop a "*Template PA*" based on terms and conditions outlined in this policy. Said *Template PA* shall be utilized when practical and possible. Use of said *Template PA* shall be determined on a case-by-case basis.

A. Termination Date/Initial Closing Date/ Due-Diligence Period

The initial closing date shall be set for within 10 days after all buyer and seller contingencies can be reasonably met. The normally acceptable due-diligence period shall be tied to when City entitlements are met; which commonly include: zoning verification, site plan approval, plat approval, and development agreement approval. City staff shall target about six (6) months as a standard due-diligence period. However, depending on the use, size and complexity of a proposed project, a longer due-diligence period may be acceptable.

B. Earnest Money

The City shall require earnest money for all land transactions. City staff shall have the authority to negotiate an acceptable level of earnest money and provide a recommendation for EDA and City Council review. A portion of said earnest money shall become non-refundable after 30-90 days. Earnest money terms shall be determined on a project-by-project basis.

C. Contract Extensions

Unforeseen circumstances may arise while completing due-diligence for the development of real estate. Often times, this results in a request from a prospective buyer for a PA due-diligence period extension. Staff will work with prospective buyer to develop a reasonable and attainable initial closing date; as outlined in Paragraph A above.

If the prospective buyer requests an extension to the initial closing date, the City shall require compensation. PA extensions shall require a portion, or all, earnest money to become non-refundable. If a PA is terminated, all non-refundable dollars shall be received by the City.

D. Construction Deadlines

As part of a standard PA, the City does not require a minimum construction deadline for buildings and improvements. However, on a case-by-case basis, the Council may request for this provision to be included in PAs.

NOTE: this statement does not prohibit construction deadlines within other government permits and agreements (development agreements, building permits, business subsidy agreements, etc.).

E. Tax Exempt Uses

The City owns a large inventory of land located within The COR. This land is situated within a prime location for intense commercial, office and residential development. The development of The COR is anticipated to generate significant local property taxes. The City

of Ramsey has identified several future high priority public improvement projects that rely on future property tax revenues from development within The COR. In order to meet future obligations to residents and businesses, the City is not seeking to sell City owned land located within The COR to tax exempt users.

NOTE: the City does anticipate a community center to be located within The COR. A community center user may be a tax exempt user. The City welcomes discussion of a community center with prospective developers.

F. Professional Services

City staff shall make a good faith effort to utilize local businesses for professional services required for land transactions (i.e. Title Commitment, Escrow Agent, Closing Services, ALTA Survey, etc.); subject to competitive pricing.

G. Pre-Development Meeting with City Staff

Before a PA is executed by the EDA or City Council, the City may require the buyer to meet with the City's development team to discuss project timelines, property specifications, required public infrastructure, land use regulations, and project feasibility (known as a "Pre-Development" meeting by staff). The purpose of this meeting is to confirm that the preliminary project concept is physically, schematically and financially possible. The City may require the buyer sign a non-binding MOU before executing a PA.

Staff is authorized to request the buyer supply a concept site plan for this process. A concept site plan is not intended to be a full, detailed site plan, but a generalized concept with sufficient detail to demonstrate compliance with zoning standards. Additionally, if deemed necessary, staff is authorized to request preliminary concept design to be reviewed by the Planning Commission as part of this process.

Staff should also consider the feasibility of the proposed project. If staff is unsure the proposed project is feasible for the buyer, staff shall be authorized to require supporting information from the buyer (e.g. statement from bank, developer, or architect, sources-and-uses sheet, etc.).

H. Land Sale Ordinance Contingency

The City Charter requires an ordinance be passed to sell City owned land. This process can take two to three months. The City shall include a provision in the contingencies section of all PAs requiring a land sale ordinance to be effective before closing.

I. Reassignment of Agreement

Agreement may not be reassigned without the written consent of the City.

## **SECTION 8: COST ASSIGNMENTS**

The purpose of this section is to outline an assignment of costs associated with negotiating and closing a PA. Staff shall utilize this information to develop a "net-proceeds" analysis for EDA and Council review.

### **A. City Costs**

1. Seller's portion of the prorated property taxes and fees.
2. Seller's own attorney's fees.
3. One-half the cost of any closing fees.
4. State deed tax.
5. Real estate broker commission fees.
6. Title Commitment fees as prescribed in Section 5.
7. ALTA Survey fees as prescribed in Section 5.
8. The cost of any additional or elected marketing/site-prepping efforts by City as prescribed in Section 5.

### **B. Buyer Costs**

1. Buyer's portion of the prorated property taxes and fees.
2. Buyer's own attorney's fees.
3. One-half the cost of any closing fees.
4. Documentary and recording fees for the deed(s).
5. The cost of the owner's title insurance policy as required by the Buyer.
6. Environmental, architectural, engineering, financing, and developer fees associated with pre-development research and the entitlement process.
7. All other fees.