



## **Request for Park Board Committee Action**

**TO:** Board of Commissioners

**PREPARED BY:** Judd Rietkerk,  
Director of Planning and Project Management

**SUBJECT:** Purchase Agreement for Scherer Brothers Property

**FULL BOARD ACTION DATE:** December 16, 2009

### **ACTION:**

THAT THE BOARD AUTHORIZE THE EXECUTION OF A PURCHASE AGREEMENT WITH SCHERER BROTHERS LIMITED PARTNERSHIP AND AN EARNEST MONEY DOWN PAYMENT OF \$400,000 FOR THE ACQUISITION OF THE SCHERER BROTHERS LUMBER FACILITIES LOCATED AT 8<sup>TH</sup> AVENUE NORTHEAST IN MINNEAPOLIS CONTINGENT UPON THE BOARD'S APPROVAL OF THE FINAL ACQUISITION FINANCE PLAN.

**ACTION REQUESTED BY:** Planning and Project Management Department

**SUPERINTENDENT'S RECOMMENDATION:** Approve

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### **Introduction:**

Recently, Scherer Brothers Lumber Company approached the Minneapolis Park and Recreation Board (MPRB) with their intention to sell their property located at 8<sup>th</sup> Avenue NE and Sibley St NE, along the eastside of the Mississippi River, (see attached location map). Staff responded with interest and began identifying strategies for acquisition and development. A Phase I and II environmental assessment and an appraisal have been completed on the property. Negotiations on price, and terms, have been underway and a draft purchase agreement has been prepared.

### **Project Scope and History:**

#### **Site Description**

The Scherer Brothers Lumber Yard is located on the Mississippi River just upstream of the Plymouth Avenue Bridge and Boom Island Park and just south of the Graco property. The Scherer Brothers property has a total land area of 13.84 acres and is made up of three separate parcels the are bifurcated by Sibley Street and 9<sup>th</sup> Avenue. The Main Parcel (A) has 750 feet of frontage on the Mississippi River and is about 11.25 acres in size. It is rectangular in shape with

a level topography and completely covered with asphalt paving. The Main Parcel is improved with six buildings used for outside covered storage, indoor warehouse space, and office space for the lumberyard operations; a railroad spur for the delivery of the lumber is also present on the site.

The Eighth Avenue Parcel (B) is 1.26 acres, is mostly rectangular with a level topography. This parcel is improved with a surface parking lot and a small maintenance garage. The Ninth Avenue Parcel (C) is 1.33 acres, is mostly rectangular with a curved border fronting the railroad spur on the north side of the property. The site is level with stable soils and is improved with two industrial buildings.

The site has been used as a lumberyard and lumber storage/transfer facility since 1934. Based on initial review of the plat map, the property is not adversely affected by any easements or encroachments. The Main Parcel is partially divided by a railroad spur; however this is not seen as an encumbrance, but will require further analysis. At this point in time, there are no known covenants, conditions or restrictions that affect the marketability or highest and best use of the property.

The site is provided with all municipal services including water, sewer, electricity, gas and telephone. A portion of the site is located in the 100-year flood event area and the property is zoned I-2, Medium Industrial District.

#### **Above the Falls Regional Master Plan**

The Scherer Brothers property falls within the boundary of the Above the Falls (ATF) Master Plan which was adopted by Met Council, the City Council and Park Board nearly a decade ago. This plan calls for redevelopment along the river from the Plymouth Bridge to the northern city limits and North Mississippi Regional Park with a mix of parks, residential, light-industrial and commercial uses.

From the ATF Plan, two uses are identified for the parcel – Phase One and Phase Three. Phase One signifies a portion of the riverfront area as park land while the Phase Three identifies the landward area as Business/Light Industrial. According to the City's Comprehensive Plan, the area is identified as 'transitional industrial', allowing it to be utilized for park purposes.

The property is in a key location; one, because it has riverfront shoreline and; two, this can provide a trail connection to Sheridan Memorial Park through the Graco property. An agreement with Graco allows for a portion of their riverfront to be accessible for trail purposes along the riverfront side of their property. The need to acquire the parcel is tied directly the goals of the Above the Falls Master Plan and continue the establishment of park land along both sides of the Mississippi River in Minneapolis and the Park Board's Comprehensive plan goals of increasing access to the River, developing premier recreation facilities in North and Northeast Minneapolis, and protecting the natural environment.

The need to distribute the demand for recreational uses, stabilize the shoreline, and protect the natural environment along the river is driving the desire of the Park Board to acquire the Scherer Brothers property. Development of the property could include shoreline

preservation/stabilization, wetland/open space, trails, maintenance operations and other regional amenities.

**Purchase Agreement Terms and Strategy:**

Staff has been negotiating with Scherer Brothers representatives to identify an acquisition strategy. Scherer Brothers desires to sell all parcels in one bundle and cash out immediately; however, they are willing to carry the transaction over a four year period with an initial payment up front followed by four annual payments of principal and interest. The current proposal is for an earnest money payment of \$400,000 and a down payment of one third of the acquisition price. The balance of the funding may come from a diverse list of sources including the sale of portions of the property to private partners, I-35W land acquisition proceeds, waters shed funds, Metropolitan Council Regional Park funds and Parks and Trails funding. Scherer Brothers is willing to carry a mortgage for the remaining balance with a fixed interest rate 3.25% and annual principal payments over four years. As part of the agreement, the Park Board will pay for its prorated share of the property taxes due and payable in 2010 and the due diligence costs, such as the environmental Phase I and II, soil boring costs, surveys, etc.

Park staff is currently discussing funding options with the Metropolitan Council and MWMO to develop a funding proposal for the down payment and acquisition. Prior to removing the financing contingency from the Purchase Agreement, staff will return to the Board for approval of the finance plan. At that time the Board may elect to proceed or terminate the Purchase Agreement and release Scherer Brothers Limited from any obligation it may have to continue to with the sale and closing. Staff and Scherer Brothers are committed to closing on the sale within 90 day after the full execution of the Purchase Agreement.

**ATTACHMENTS:**

Site Map

