

METROPOLITAN COUNCIL
390 North Robert Street, St. Paul, MN 55101
Phone (651) 602-1000 TDD (651) 291-0904

DATE: March 21, 2008

TO: Metropolitan Parks and Open Space Commission

FROM: Arne Stefferud, Planning Analyst-Parks (651-602-1360)

SUBJECT: (2008-76) Request for reimbursement consideration authorization to acquire 30-acre Wicker parcel in Spring Lake Park Reserve, Dakota County

INTRODUCTION:

Dakota County has negotiated the purchase of two lots totaling 30 acres including a house and outbuildings within the boundary of Spring Lake Park Reserve, hereafter referred to as the Wicker property. The cost to purchase the property and to finance related costs for the appraisal and other items is \$1,443,500. The closing is scheduled for May 8. Since the County is seeking the maximum Park Acquisition Opportunity Fund grant for the Butler Trust parcel (agenda item 2008-75) the County must finance this acquisition entirely with its own funds. It therefore has asked the Metropolitan Council to consider reimbursing the County \$1,443,500 for this acquisition in future regional parks capital improvement programs. (See **Attachment 1**, letter from Steve Sullivan, Dakota County Parks)

This memorandum analyzes the request for the reimbursement consideration against the conditions of Strategy 2(f) of the *2030 Regional Parks Policy Plan*. It also analyzes a proposal to relocate the buildings on this land and two other houses on two other large inholdings that together encompass 48 acres to another location in the park on 9 acres (three 3-acre lots), then selling those buildings with the 3-acre lots and using the proceeds from the sale(s) to partially or completely recoup the cost of acquiring the 48 acres and buildings.

AUTHORITY TO REVIEW:

Minnesota Statute Section 473.315 authorizes the, "Metropolitan Council, with the advice of the Metropolitan Parks and Open Space Commission, to make grants from any funds available to it for recreation open space purposes to any municipality, county or Park District located wholly or partially within the metropolitan area to cover the cost, or any portion of the cost, of acquiring or developing regional recreation open space in accordance with the *Regional Recreation Open Space Policy Plan*".

BACKGROUND:

Spring Lake Park Reserve is located on approximately 3 miles of Mississippi River shoreline in northern Empire Township and in the eastern end of the City of Rosemount. The master plan boundary for the park reserve encompasses 1,248 acres of which 1,038 acres have been acquired. Recreation facilities currently available include the Schaar's Bluff picnic area, plus hiking/ski touring trails. (See **Attachment 2** for map of Spring Lake Park Reserve)

ANALYSIS:

Dakota County has negotiated the purchase of two lots totaling 30 acres including a house and outbuildings within the boundary of Spring Lake Park Reserve, hereafter referred to as the Wicker property for a purchase price of \$1.4 million. The acquisition includes a 4-bedroom, 3.5 bath home plus a

heated workshop building, a 4-stall horse barn and other outbuildings. All buildings are in excellent condition. The market value of the house and outbuildings is \$401,000. Thus the value of the land is \$999,000. (See **Attachment 3** for a location map of this land and **Attachment 4** for photos of the house and outbuildings).

The County negotiated a purchase price of \$1.4 million for the Wicker property. The County also anticipates additional grant eligible costs related to the purchase of the property to be up to \$43,500 (e.g. appraisal, property tax equivalency payment, closing costs). Therefore, the total cost to purchase the property is \$1,443,500 as shown below.

Contract price:	\$ 1,400,000
Abstract / Conservation fee / Closing Costs/ Prorations	\$4,000
Real Estate / Relocation Consultant:	\$28,000
Appraisals:	\$6,500
Demolition / Well Closure, etc	N/A \$0
Relocation:	Waived \$0
Real Estate Tax Equivalency Payment	\$1,000
Stewardship	\$3,000
Contingency:	\$1,000
Total	\$1,443,500

As noted above, Dakota County has requested eligibility for reimbursement consideration of up to \$1,443,500 in a future regional park CIP to acquire this parcel. The request must comply with the terms of Strategy 2(f) of the *2030 Regional Parks Policy Plan* regarding reimbursement eligibility to acquire land. The applicable excerpts from that policy states:

Strategy 2(f): Reimbursement

Reimbursement will be considered for early acquisition of land currently designated as regional recreation open space by the Metropolitan Council in the *2030 Regional Parks Policy Plan* if the acquisition is in full agreement with a Council-approved master plan as required under MN Statutes 473.313 and the regional park implementing agency received Council approval prior to undertaking the acquisition.

...

If these conditions are met as required by MN Statutes 473.147, and 473.313 the Council will consider reimbursing the park agency via a grant as permitted under MN Statutes 473.315 for the following costs:

- a) Appraisal costs incurred by the acquiring park agency or entity under contract with the agency**
- b) Surveying costs incurred by the acquiring park agency or entity under contract with the agency**
- c) Legal fees incurred by the acquiring park agency or entity under contract with the agency**
- d) Fees for service provided by an entity under contract by the park agency to negotiate and purchase the land or obtain an option to purchase**
- e) Principal payments made towards the purchase price including principal payments on a contract for deed or bond, or payments made on an option to purchase**

f) 180% of township or city taxes due on the parcel at the time of closing as required by MN Statute 473.341

...

The Metropolitan Council will use best efforts to implement this reimbursement policy as described above. However, the Council does not, under any circumstances, represent or guarantee that reimbursement will be granted, and expenditure of local funds never entitles a park agency to reimbursement.

This acquisition is consistent with the terms of Strategy 2(f) because the parcel is consistent with a Council-approved master plan and other conditions in the Strategy. However, as noted in Strategy 2(f), approval of this project at this time does not commit the Council to finance the requested reimbursement in the regional parks CIP.

Relocation of house/outbuildings and sale to recoup some costs of initial acquisition

As noted above, the market value of the house and outbuildings on the Wicker property is \$401,000. Dakota County staff have analyzed the re-use of the house and outbuildings and also consulted with the Nininger Township Board. There is no park or other public use that the buildings could be used for. Consequently an analysis to relocate and sell the buildings was considered. The cost to move the house is estimated to be \$42,000 if the move is near its present location.

Dakota County staff have suggested that the house be relocated to another part of the park and then sold with 3 acres of park land. The proceeds of the sale would be used to partially or fully recoup the costs to acquire the Wicker property and the buildings. This in turn would reduce the amount the Metro Council would need to consider reimbursing the County via the regional parks CIP.

In addition to the Wicker property, there are two other inholdings of 9-acres each just west of the Wicker property (See **Attachment 5** for aerial map of these inholdings). These inholdings also include large homes that are in excellent condition. (See **Attachment 6** for aerial photograph of buildings on these inholdings). When these other inholdings become available for purchase in the future, it makes sense to also relocate and sell these homes with 3-acre lots to offset the cost of their initial acquisition.

The County will incur costs for subdividing park land into three 3-acre lots. It is estimated that the cost to relocate these houses, subdivide land into 3-acre lots, and sell the lots and houses is \$203,000 per house. That cost is in addition to the cost to acquire these homes on their original lots.

The net effect of this relocation plan is:

- 48 acres of new park land acquired
 9 acres of existing park land sold
 39 acres net gain in park land acquired
- Recoup some or all of the costs to acquire the 48 acres and associated buildings by applying the sale proceeds of the 9 acres and buildings to the initial acquisition costs.
- Retain 3 residential lots on local property tax base

In order to implement this plan the following actions would need to occur:

1. Dakota County would have to determine what land in the park reserve could be re-used for residential purposes. The likely location would be at the edge of the park's current boundary, on land that is adjacent to other houses and has access to an existing road. Development of this land

for residential use should not adversely affect other recreational uses of the park reserve and not adversely affect natural resources in the park reserve.

2. The Metropolitan Council and possibly the Minnesota Dept. of Finance would have to approve the sale of the three 3-acre lots since the land is likely to have a regional park restrictive covenant on it, and the land is likely to have been acquired with State bonds. As long as the proceeds of the sale of the park land are used to acquire land of equal or better quality for the park reserve, the requirements to release the restrictive covenant are met. In this case, the sale proceeds would be used to acquire 48 acres including river frontage in exchange for selling 9 acres of lower quality land. Furthermore, the initial intention of the State bond appropriation to buy park land is met by using the proceeds from the sale of 9 acres of park land to be used to acquire the 48 acres of inholdings.

At this time, the Metropolitan Council could encourage Dakota County to pursue this building relocation and sale plan and take formal action once the three 3-acre lot area is identified.

CONCLUSIONS:

1. Dakota County's request to be eligible for reimbursement consideration in a future regional park CIP of up to \$1,443,500 to acquire the Wicker property in Spring Lake Park Reserve is consistent with the conditions of Strategy 2(f) Reimbursement in the *2030 Regional Parks Policy Plan*. However, the Metropolitan Council should encourage Dakota County to relocate and sell the house and the outbuildings associated with the acquisition to reduce the costs of acquisition and the subsequent amount the Council would need to consider reimbursing the County.
2. Relocation and sale of the house and outbuildings on the Wicker property plus the houses on two adjacent inholdings that total 48 acres in exchange for selling a total of 9 acres of existing park land could result in a net gain of 39 acres for the park reserve that includes river frontage, and recouping some or all of the costs to acquire the 48 acres and associated buildings. This action also would retain three residential properties on the local tax base. However, it is estimated that an additional \$203,000 will have to be spent on each house to relocate it and subdivide land to place it on prior to its sale.
3. To insure that the requirements of the *2030 Park Policy Plan's* restrictive covenant exchange policy are met, and be compatible with Nininger Township's land use plans as well as any requirements of the MN Dept. of Finance, the 9 acres of park land converted to residential use should have the following characteristics:
 - a. Be at the edge of the park's current boundary
 - b. Be adjacent to other houses or land zoned for housing and have road access
 - c. Should not adversely affect other recreational uses of the park reserve
 - d. Should not adversely affect natural resources in the park reserve.
 - e. Proceeds from the sale should be used to recoup subdivision and related sale expenses, plus expenses in acquiring the 48 acres of inholding and their related buildings.

RECOMMENDATIONS:

That the Metropolitan Council:

1. Allow up to \$1,443,500 of costs incurred by Dakota County for acquiring the Wicker property in Spring Lake Park Reserve to be eligible for reimbursement consideration in a future regional parks capital improvement programs under the conditions stated in Recommendation 2. However, the

Council does not under any circumstances represent or guarantee that reimbursement will be granted, and expenditure of local funds never entitles a park agency to reimbursement.

2. Requests Dakota County to recoup its costs, and thus reduce the Council's reimbursement amount in Recommendation 1, of acquiring the Wicker parcels by relocating the structures on the original Wicker property to a new 3-acre parcel of park land in Spring Lake Park Reserve and selling the buildings and 3-acre parcel under the following conditions:
 - a. The 3-acre parcel is at the edge of the park's current boundary
 - b. The 3-acre parcel is adjacent to other houses or land zoned for housing and have road access
 - c. Residential use of the 3-acre parcel should not adversely affect other recreational uses of Spring Lake Park Reserve
 - d. Residential use of the 3-acre parcel should not adversely affect natural resources in Spring Lake Park Reserve.
 - e. Dakota County seeks approval from the Metropolitan Council to release any regional park restrictive covenant on the 3-acre parcel and requests approval from the State of Minnesota to sell the 3-acre parcel if the parcel was initially acquired with State bond proceeds.
 - f. Proceeds from the sale of the 3-acre parcel and structures on it must be used to recoup subdivision and related sale expenses, plus expenses in acquiring the original 30-acre Wicker property and related buildings.
 - g. The County shall report to the Metropolitan Council the County's costs in implementing this acquisition, relocation and sale plus the revenue it received from the sale. If the sale of the 3-acre parcel and related buildings generates more revenue than costs to acquire the original 30-acre Wicker property and its buildings, the additional revenue must be used to acquire more regional park land in Dakota County.

Attachment 1, letter from Steve Sullivan, Dakota County Parks



Physical Development Division
Gregory J. Konat, Director

Dakota County
Western Service Center
14955 Galaxie Avenue
Apple Valley, MN 55124-8579

952.891.7000
Fax 952.891.7031
www.dakotacounty.us

Environmental Mgmt. Department
Farmland & Natural Areas Program
Office of GIS
Parks Department
Office of Planning
Surveyor's Office
Transit Office
Transportation Department
Water Resources Office

March 17, 2008

Arne Stefferud
Metropolitan Council
390 North Robert Street
St. Paul, MN 55101

Dear Arne:

The purpose of the letter is to request Metropolitan Council consideration for providing future reimbursement eligibility for the purchase of the Wicker property within Spring Lake Park Reserve (Attachment A: Location Map). The request is based on an estimated acquisition cost of \$1,443,500 (Attachment B: Letter 2nd Deal Point Memo from Eriksson Commercial Real Estate, Inc. dated March 14, 2008).

On August 28, 2007, the Dakota County Board authorized negotiations for the property and execution of a conditional purchase offer subject to future County Board approval (Attachment C: Resolution 07-387). Successful negotiations with the Wickers have resulted in terms that include the following:

- A purchase price of \$1,400,000
- A closing date of May 8, 2008
- That the sellers may reside on the property up to September 8, 2008
- The transaction is contingent upon Metropolitan Council providing eligibility for future reimbursement and Dakota County Board authorizing acquisition of the property.

Thank you for considering the request.

Respectfully,

A handwritten signature in blue ink, appearing to read "Steve Sullivan".

Steve Sullivan
Parks Director

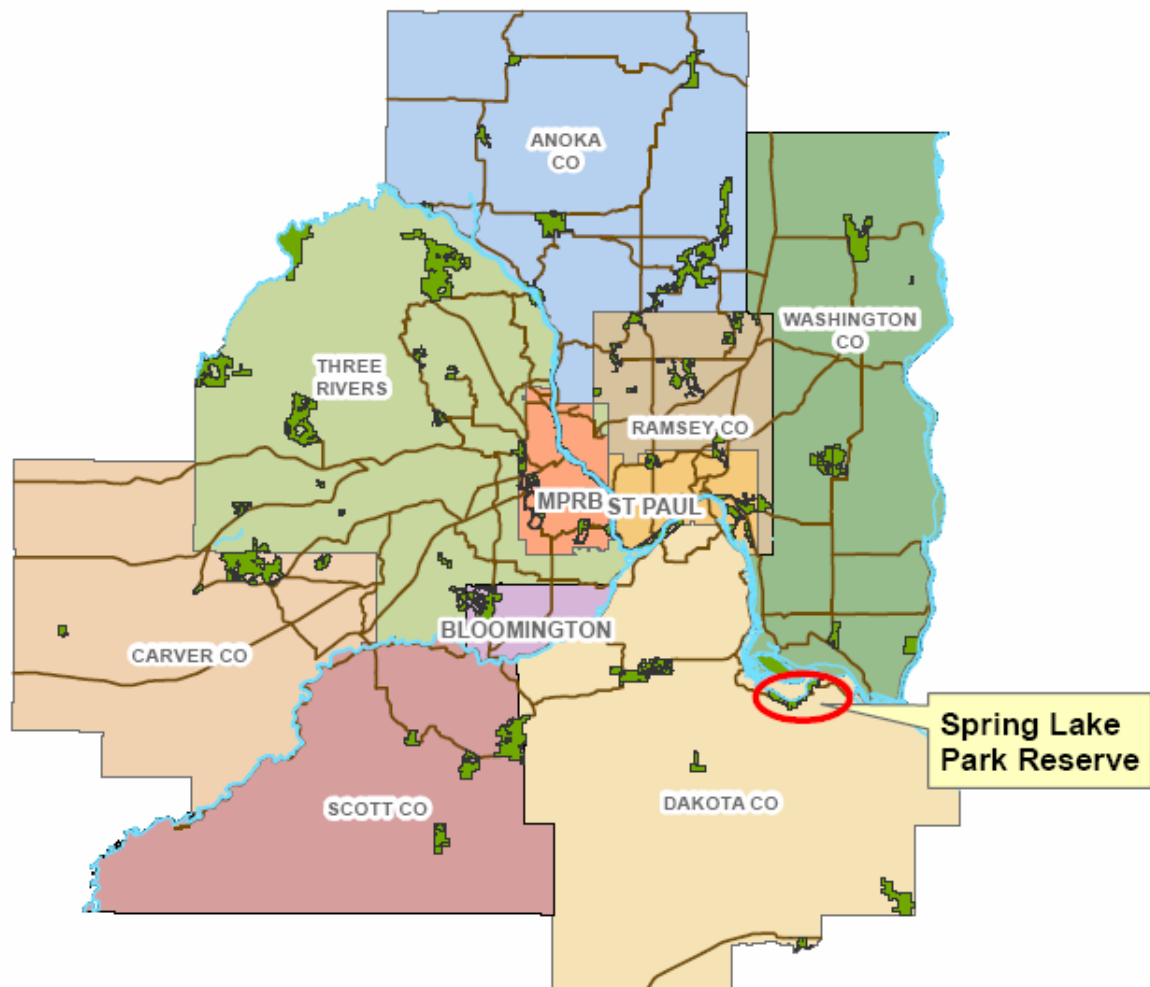
A handwritten signature in blue ink, appearing to read "Al Singer".

Al Singer
Farmland & Natural Areas Supervisor

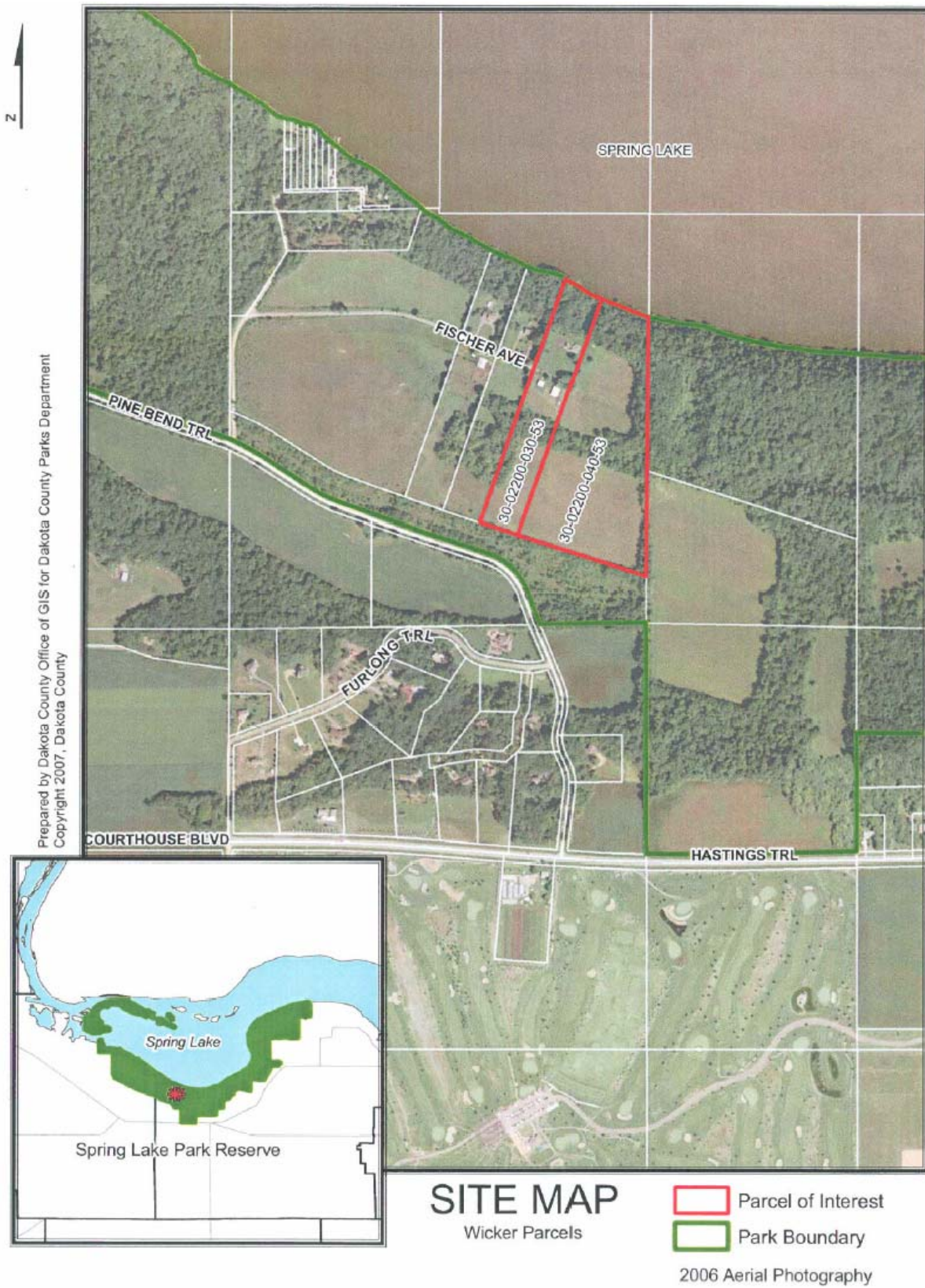
C: Michelle Beeman, Environmental and Natural Resource Director
Barb Schmidt, MPOSC Representative

Enc.

Attachment 2: Location map of Spring Lake Park Reserve



Attachment 3: Map of Wicker parcels in Spring Lake Park Reserve



Attachment 4: Photos of the house and outbuildings on Wicker parcels in Spring Lake Park Reserve

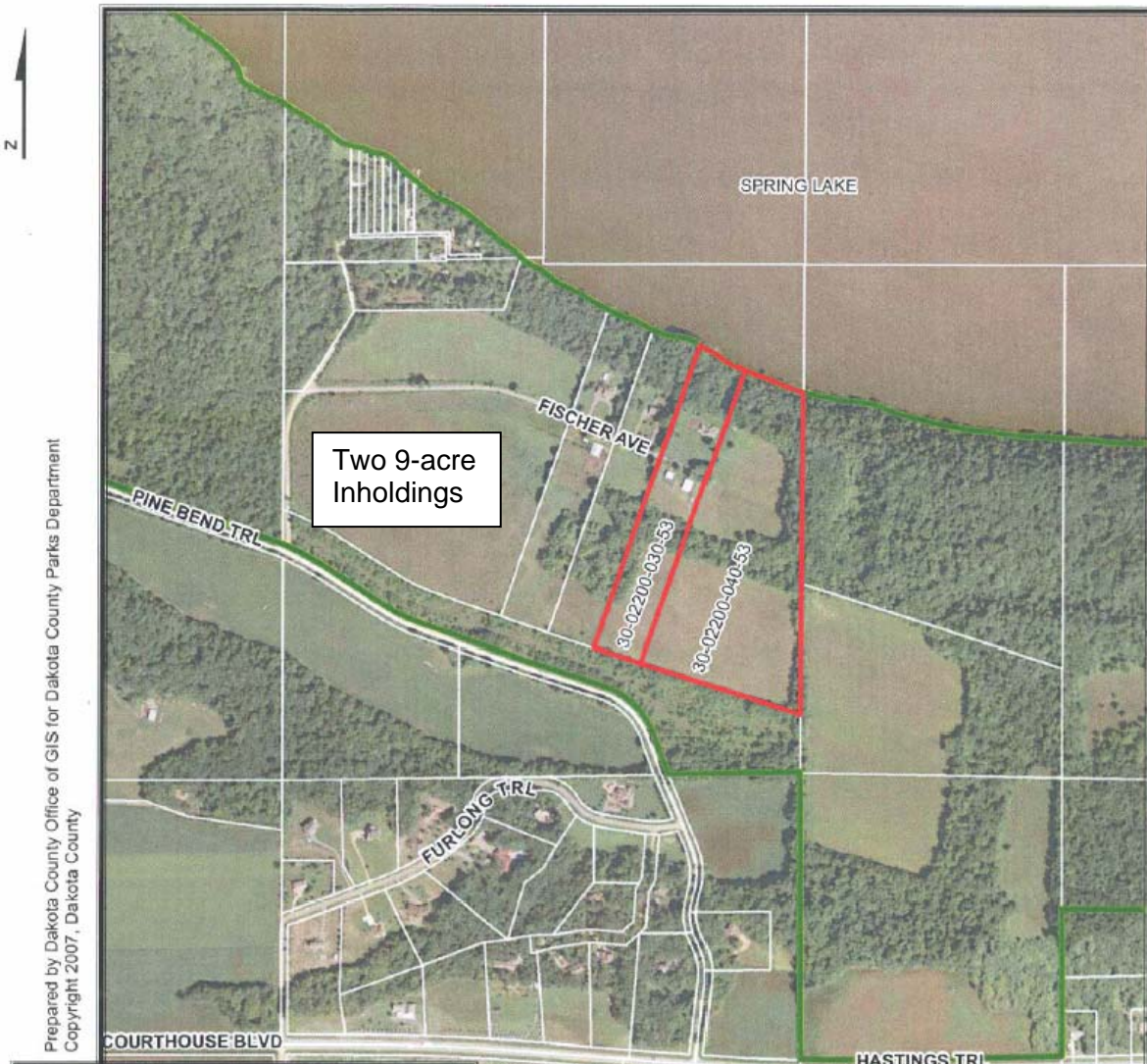
House



Out buildings



Attachment 5: Aerial map of two 9-acre inholdings which are West (left) of Wicker parcels



Attachment 6: Aerial photograph of Wicker parcels (outlined in red) and a portion of the two inholdings West (left) of the Wicker parcels that shows the buildings on those inholdings

