Selling & Marketing City Owned Land
Lessons Learned by the City of Ramsey

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Why am I here again?
Lessons learned by Ramsey, including:

1. Obtaining shovel-ready documentation
2. Developing template purchase agreement
3. Adopting closed-session pricing/negotiation strategies
4. Adopting marketing strategies
5. Understand elected officials goals
6. Establishing a review process land transactions
What does Ramsey know?
What experience does Ramsey have?

• 10 transactions closed, past 4 years, 30 acres, $5.14M

• 6 transactions under contract, 20 acres, $2.0M

• 20+ transactions negotiated, past 4 years

• 100-acres available, $12M asking price
Where is Ramsey?
Miss. River

Saint Cloud
40 mi. drive, 45 min. rail/bus

Ramsey

Regional Airport
16 mi. drive

Minneapolis
24 mi. drive, 30 min. rail

International Airport
35 mi. drive, 45 min. rail

St. Paul
31 mi. drive, 50 min. rail

Map Source: Google Earth
Anoka Ramsey Business Park

- Pro-economic development community.
- 1,000+ acres, 15,000 jobs, operations from Fortune 500 Companies
The COR

Ramsey’s urban, high-density, mixed-use, downtown, TOD development, 2009.
Why does Ramsey own so much land?
Background: Ramsey’s Story

*Where did we get our land?*

1. Established in 1974, traditional acquisitions
2. Ramsey is a pro-economic development community
3. Ramsey Town Center/ The COR, 400-acre development (special project)

**2011, City Council Direction**

Develop inventory of city owned land
Sell land, get it back on the tax rolls, we are not developers!

*Findings?*

Roughly 150 acres of land with a roughly $20M face value
(actively marketed/ sold land before this exercise)
Major factors in Ramsey

- Great Recession/ real estate market crash

- Shift in global retail and office markets
  (new retail in greenfield areas no longer norm, Amazon)
  (reduced footprint of office space needed per employee, WFH)
Let’s get to the lessons now!
Lessons

1. Obtaining shovel-ready documentation
2. Developing template purchase agreement
3. Adopting closed-session pricing strategies
4. Adopting marketing strategies
5. Understand elected officials goals
6. Establishing a review process land transactions
Obtaining *shovel-ready* documentation

**What is it?**
- Removing unknowns
- Create certainty and confidence for investors
- Pro-actively complete property due-diligence and research
- Typically, it’s a check list of items (example on next page)

**Why do it?**
- More competitively position property for a sale
- Better understanding of true property value
- Stronger position to negotiate a land sale/ advise your council
- Avoid screw ups, delays, or out-ohs, or failed projects
Obtaining shovel-ready documentation

Example Shovel Ready Documents

• **Title work & ALTA Survey**
  (who is the true owner, what are the legal encumbrances, and what are the legal boundaries of the site)

• **Utility Locations:** water/ sewer/ storm/ elec/ gas/ tele
  (some can be included in ALTA Survey)

• **Geotechnical Soils Evaluation**
  (soil types, depth of water table)

• **Zoning Verification & Development Fees**

• **Environmental Testing**
  (Phase I ESA, Phase II ESA, LSI, RAP, MPCA: Non Association Determination, Closure Letter, Brownfields, etc.)

• **Other**
  (mock site layouts, traffic counts, consider pad ready initiatives, etc.)
Obtaining **shovel-ready** documentation

**Miscellaneous Comments**

- In many situations, it makes sense to do this work upfront, even before you purchase a property.

- This process can be expensive and time consuming.
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Developing template purchase agreement

What is a PA?
- PA or PSA (purchase and sales agreement)
- Formal written document that outlines the buyers and sellers intentions and obligations related to a particular land transaction
Developing **template purchase agreement**

**Why does a template PA it matter?**

- This is the “deal document” and is what you negotiate.
- This document will be relied upon before/ during/ after.
- This document sometimes sets the stage/ components of other important future legal documents to be negotiated
  - Development agreement/ Plat/ Easements
  - Right of Entry Agreement
  - Right of Re Entry Agreement (performance clause)
  - Infrastructure Agreements
  - Business Subsidies
  - Restrictive covenants
Developing template purchase agreement

**Why does a template PA matter (cont.)?**

- Ensures you have an equitable process and policy, that is easy to communicate.

- Avoids buyers, developers, land owners, residents, the public, or the press taking a position the city may be treating one developer different than another.
Why does a template PA matter (cont.)?

• The developer/buyer often times has a hard time separating the PA process from the standard entitlement process (the city said we could do this, the city never had an issue with that before).

• Not addressing, or at least notifying the developer of major entitlement process items upfront, can create conflict and misunderstanding later.

• Land transaction process creates opposing forces (Economic Development vs Entitlement).
Developing template purchase agreement

Why does a template PA matter (cont.)?

• The more prepared you are to thoughtfully and confidently negotiate a PA, the better the project will go for everyone involved!
Developing template purchase agreement

Example Major Items in a Standard PA

- Price
- Earnest Money
- Inspection Period (Due Diligence Period)
- Closing Period
- Closing Fees/ Broker Fees/ Other Fees
Developing template purchase agreement

PA should Support Entitlement Process

• Ramsey requires developer to complete entitlement process before closing.

• Avoid conflicts with entitlement process and make sure city knows with as much certainty as possible what is being proposed.

• Specifically require approval of visual renderings and compliance with zoning code via the PA.

• Typically longer inspection period (4-6 months).
Developing template purchase agreement

**Performance Requirements**

- Public Perception: city land transaction = city desires/ supports that specific project or initiative.

- Potential Issue: unless explicitly restricted, it’s possible for PAs to be reassigned, for land to be flipped to new developers/ owners, and for project proposals/ land use proposals to change.

- Assuming a project generally meets the city’s base zoning requirements, the city has little control over said changes—unless you structure your PA correctly.

- Ramsey doesn’t want to simply sell land on pure speculation. Ramsey wants certainty on what is being proposed will actually occur. Ramsey doesn’t want to be associated with a bad project. For Ramsey, it’s important for the developer to perform on what they are proposing via the PA within a reasonable timeframe.
Developing **template purchase agreement**

**Performance Requirements (cont.)**

- It’s a standard process for Ramsey to require performance metrics within PA (XX,XXX sf building CO by XXXX date).

- It’s standard process for Ramsey to create a recordable right-of-re-entry agreement tied to the performance metric.
Developing template purchase agreement

Assignment Clause

• It’s important to retain control of who is purchasing the property. You want to avoid a broker flipping the property to a buyer that you don’t trust, you don’t want to associate with, or that doesn’t work in good-faith based on the spirit of the original agreement.
Developing template purchase agreement

Keep your excess fill, or get paid for it!

• If there is excess fill, you should have the right to the excess—rather than the developer selling for a profit. You could ask for a cut/fill estimation from the developer before closing to investigate this item. Likely would come up through the entitlement process.

• New item for Ramsey. Could be part of shovel ready process.
Developing template purchase agreement

**Extension Provisions**

- Negotiate extension provisions upfront (inspection period or closing period).

- This can become heated and political if not done upfront (both sides of the deal).

- Ramsey recommends making all existing and new earnest money be non-refundable.

- Comes up on nearly every agreement.
Other Provisions

On a case-by-case basis, here are “other” provisions that may or may not be important on a particular transaction.

• Will public infrastructure be required, who is designing, who is funding, who is constructing? Often times, developers make assumptions if you don’t explicitly set expectations upfront.

• Will a formal right of entry agreement be needed after closing (not to be confused with right of re entry)?

• Will the PA be split into multiple closings/ require sub-dividing (creating new lots)?

• Will the city want to retain a special easement on the property?
Developing **template purchase agreement**

**Get everyone on board**
- Should develop base template with an attorney, financial consultant, staff development team, and get approval by city council to use (individual approval on individual deals)
Lessons

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3. Adopting closed-session **pricing strategies**
4. Adopting **marketing strategies**
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Adopting pricing/negotiation strategies

What is it?

• In closed session, Ramsey adopts a “deal-range” and “negotiation strategy” for each available city owned property. This specifically includes the asking price and acceptable high/low price.

• For us, it’s resulted in a detailed pricing chart and pricing log. This also helps us track sales/compare sales over time.

Why do it?

• Allows staff to do “as much negotiating as possible” before considered formally
• Save a considerable amount of time (back-and-forth)
• Maximizes offer price
• Allows staff to say “NO” to a low ball offer
• Allows staff to be “PUSH” where strategies align
• Balance Council discretion and making the process equitable
• Gives staff basis for future recommendations/memos
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Adopting marketing strategies

**How should each property be marketed?**
- Real estate signs?
- Ads?
- Place property on listing services?
- Staff lead the process?
- Hire a consultant?
- Hire a marketing firm?
- Create a website?
- Hire a broker?
- Try to hire a developer?
- Issue a RFP?
- Is the goal for sales, as quick as possible, highest quality, or highest price?
Adopting marketing strategies

**Select a strategy**

- Important to be intentional about your strategy, and document why you selected your strategy. It sets expectations for all parties involved/interested/watching.

- Unlikely a “correct” method exists. Truly, every property, and every deal, is different. Additionally, the market is always changing, buyers expectations are always changing, and it’s common for the city’s strategy to evolve with time (staff and elected officials).

- Ramsey would recommend being flexible. Some properties, it makes sense to handle internally. Some, it may not. Or, perhaps, the City’s staffing levels will effect this decision.
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Understand elected officials’ goals

What is it?
• Generally, make sure you touch base with your Council, and other appropriate boards, periodically RE your approach for selling city owned land (deal range, template PA, marketing strategy, maximize sale price vs high quality development vs quick development, etc.).

Why do it?
• This is critical. The more invested your decision makers are in this process and the more they understand it, the smoother deals will go for your community—and, the more confident you can be in negotiating deals!
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Establishing a **review process** land transactions

**What is it?**

- Generally, make sure you have an upfront process established.
- Ramsey’s standard review process, before a PA is executed.
  - Ramsey EDA (purchase agreement/ the deal)
  - Ramsey Planning Commission (concept layout, look/ fit/ feel)
  - Council (all of the above)
  
  **NOTE:** in certain situations, other boards could be looped in (Parks, Environmental, Etc.).

**Why do it?**

- This is critical. It’s important for other boards/ commissions to weigh in upfront on major concerns/ feedback, before a PA is signed.
- It’s easy for a PA process to get ahead of other boards and commissions and set expectations for a project incorrectly. Not doing so can result in conflict between boards, between staff, and frustration from the developer (the right hand doesn’t know what he left had is doing).
Miscellaneous

• Be sure to check in on:
  • County process/requirements
  • City charter process/requirements

• Work with attorney and financial advisor to develop strategies and purchase agreements, you shouldn’t do this alone.

• Ramsey didn’t implement all of these items upfront. We learned based on experience. We are still leaning—this is not a perfect system.
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