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## MEMORANDUM

**TO:** Minnesota Valley Transit Authority Board of Directors

**FROM:** Corrine A. Heine

**DATE:** June 23, 2010

**RE:** Purchase of Property at 3645 Sibley Memorial Highway, Eagan

The MVTA has been interested in acquiring the property at 3645 Sibley Memorial Highway for several years, since the initial construction of the bus garage facility at 3600 Blackhawk Road. Negotiations were not successful at that time, and there was significant public opposition to proposed use of condemnation. There was general public support for Betty Adelman, who lived on the property and operated a vegetable and fruit stand there.

We reinitiated negotiations in 2009 by contacting one of the owners, Michael Adelman. The Property is owned by two of Betty Adelman's sons, Michael and Steven, but occupied by a third son, Bruce Adelman, who is a tenant. Discussions were periodic and generally unproductive until Betty Adelman died earlier this year. We were able to reach an agreement at \$500,000, with the sellers being responsible for any relocation benefits in excess of \$5,000.

This price was based upon consideration of the following:

- A market analysis of the property from Nicollet Partners prepared in fall 2009, indicating a value in the range of \$245,000 to \$285,000 for real estate. The appraiser indicated that a negotiated price within 10 percent of that market range (\$269,000 to \$313,000) would not be unreasonable. (Sellers rejected that as "ridiculous" and gave indications that they expected compensation for loss of going concern due to inability to relocate the business, as well as relocation benefits.)
- Evaluation of potential relocation costs. This property presented an uncommon situation, because it involved relocation not only of the residents but also the business operated by Mrs. Adelman and Bruce Adelman. Part of the residential relocation benefit analysis involves comparison of "comparable" properties, and if the relocation site were required to accommodate both the house and business, there are few properties that would satisfy that criteria. As a result, the relocation cost estimate had a fairly wide range, from \$75,000 (\$55,000 for the residential move and \$20,000 for a fixed payment to the business) to \$275,000 (replacement housing payment of \$249,000, moving costs of \$6000 and fixed payment to business of \$20,000).

- Taking both the appraisal and the relocation into consideration, the range was a \$320,000 to \$588,000. This is considered generally comparable to the potential range of acquisition costs if the MVTA had acquired the property by eminent domain. Compensation that could have been payable under eminent domain would include real estate value, loss of going concern of business, “minimum compensation” under the act, which would have been similar to the replacement housing payment analysis above, as well as potential attorney fees, appraiser fees, commissioner fees, and the potential of paying the property owners’ attorney fees and appraiser fees.

Key terms in the agreement are:

- Purchase price of \$500,000, but will be reduced if relocation costs exceed \$5,000
- Closing November 30, 2010 (to allow one more season for the produce stand)
- Contingent on financing and MVTA’s satisfaction condition of property, based on its investigation
- Real estate taxes prorated as of closing; seller to pay all specials as of closing (property will be taxable for taxes payable in 2011, which will be MVTA responsibility)
- MVTA pays most closing costs, except for costs to make property marketable (consistent with requirements under Uniform Real Property Acquisition and Relocation Act).
- Sellers have the right to salvage fixtures from the property prior to closing.
- There is a well on the property. MVTA will have to seal when it constructs on the site.

cc: James M. Strommen