

THE CITY OF

Troy Klecker
Community Development Director



OWATONNA

540 West Hills Circle
Owatonna, MN 55060-4794
Ph. (507) 774-7316
FAX: (507) 444-4351

DATE: June 9, 2021

TO: Mayor and City Council

FROM: Community Development Department – Troy Klecker

SUBJECT: Approve Purchase Agreement to purchase property at the corner of West Pearl Street and North Oak Avenue.

Purpose:

City Council to approve purchasing of property at the southeast corner of West Pearl Street and North Oak Avenue.

Background:

The EDA/City had previously purchased a 4-plex at 147 West Pearl Street for the purpose of redevelopment. The 4-plex has been demolished and there was an agreement with the adjacent property owner on the corner to market the two properties together. Now the adjacent property owner would like to sell the property. The City's property is much more marketable if the property on the corner is added to it. Staff is working with a local business to construct a new building on the two properties. Acquiring this property will help advance that project.

The signed purchase agreement, which is contingent on City Council approval, has a price of \$75,000 for the property plus \$1,500 in closing costs for a total purchase price of \$76,500. The property owner would like to close on the property as soon as possible so we have that planned by July 1st in the purchase agreement.

Budget Impact:

The purchase price of \$76,500 will be paid for by the EDA. The EDA approved the purchase at their May 19th meeting. The EDA would get reimbursed for this property as well as the adjacent parcel at the time of development.

Staff Recommendation:

Staff recommends approval of the property at the corner of West Vine Street and North Oak Avenue.

PURCHASE AGREEMENT

This Purchase Agreement is entered into on this ____ day of May, 2021, by and between Keith Hoogland Ltd. Partnership, a limited partnership under the laws of the State of Illinois, ("Seller"), 1022 East Adams Street, Springfield, IL 62703 and City of Owatonna, a municipal corporation, ("Buyer"), 540 West Hills Circle, Owatonna, MN 55060.

1. **The Sale.** Seller agrees to sell and Buyer agrees to purchase the property legally described as:

Lots 10 and 11, Block 9, Original Town, (now City), of Owatonna, Minnesota, except the East 77 feet thereof.

(the "Property") located in the City of Owatonna, County of Steele, State of Minnesota, all of which property Seller has this day sold to Buyer for the sum of: Seventy-Six Thousand Five Hundred and no/100 Dollars (\$76,500.00) which Buyer agrees to pay in the following manner: Earnest money of \$1,000.00 (in the form of Cash note check) and Seventy-Five Thousand Five Hundred and no/100 Dollars (\$75,500.00) at closing on or before the 1st day of July, 2021.
2. **Deed/Title.** Subject to performance by Buyer, Seller hereby agrees to execute and deliver to Buyer, a Limited Warranty Deed, conveying marketable title to the Property subject only to the following exceptions: (1) Building and zoning laws, ordinances, state and federal regulations; (2) Restrictions relating to use or improvement of the Property without effective forfeiture provision; (3) Reservation of any minerals or mineral rights to the State of Minnesota; (4) Utility and drainage easements which do not interfere with present improvements; (5) Any easements, covenants and restrictions of record.
3. **Real Estate Taxes.** On the date of closing (the "Closing");
 - a. Current Year. Seller and Buyer agree to pro-rate to date of closing the taxes due and payable in the year 2021.

Seller and Buyer agree to pro-rate the annual installment of any special assessments due and payable in the year 2021.

- b. Previous Years.
 All real estate taxes assessments from previous years have been paid in full.
 - c. Subsequent Years. Buyer shall assume payment for all taxes due and payable commencing in the year 2022 and thereafter.
 - d. Assessments. An assessment search from Steele County shows no outstanding assessment. An assessment search from the City of Owatonna shows no outstanding assessments. As of the date of this Agreement, Seller has not received a notice for any new project from assessing authorities, the costs of which may be assessed against the Property. If Seller receives any such notice after the date of this Agreement, and before Closing, Seller will provide such notice to Buyer immediately. If a special assessment becomes pending **after** the date of this Purchase Agreement and **before** the Date of Closing, Buyer may, at Buyer's option:
 - (1) Assume payment of the pending special assessment without adjustment to the purchase price of the real property; or
 - (2) Require Seller to pay the pending special assessment (or escrow for payment of same as provided above) and Buyer shall pay a commensurate increase in the purchase price of the real property, which increase shall be the same as the estimated amount of the assessment; or,
 - (3) Rescind this Agreement, in which case all earnest money shall be refunded to Buyer.
 - f. Non-Homestead Status. Seller warrants that taxes due and payable in the year 2021 will be non-homestead classification.
4. **Inspections.** Buyer is aware of the option of having an inspection of the property performed at Buyer's expenses. If Buyer does elect, Seller agrees to allow reasonable access to the Property for any surveys or inspections agreed to herein.

5. **Subsurface Sewage Treatment System; Private Well(s).** Seller represents that there are no wells or septic systems on the premises.
6. **Possession.** Seller agrees to deliver possession not later than Closing (the "Possession Date"). All interest, city water and sewer charges, electricity and natural gas charges, shall be pro-rated between the parties as of the date of closing. Seller agrees to remove all debris and all personal property herein from the Property before Possession Date.
7. **Title & Examination.** Seller shall, within a reasonable time after acceptance of this Agreement, deliver to Buyer an Abstract of Title or Registered Property Abstract (the "Abstract") together with copies of any Owner's Title Insurance Policy for the Property to Buyer *provided* such Abstract or title insurance policy are available and in Seller's possession.

Buyer shall have 14 business days following the receipt of the Abstract to examine or retain the services of a third party to examine the title and provide Seller with written Title Objections or, at Buyer's own expense, to make an application for a title insurance policy and notify Seller of said application. Following receipt of the Commitment for Title Insurance (the "Title Commitment"), Buyer shall have fourteen (14) days to provide the Seller with a copy of the Title Commitment together with the Insurer's Title Objections. Any Title Objections not delivered to Seller within the fourteen (14) days will be deemed waived. Such waiver shall not, however, be deemed to be a waiver of Seller's covenant to deliver a Limited Warranty Deed unless delivery of such deed is not specified in this Agreement. Further, Buyer's purchase of title insurance is not to be deemed a waiver of the right to demand delivery of good and marketable title of record from Seller at Closing.

Seller shall use Seller's best efforts to provide marketable title by the closing date. If Seller has not provided marketable title by Closing:

- a. Seller shall have an additional 30 days to make title marketable; or
- b. Buyer shall waive title defects by written notice to Seller.

The parties may thereafter agree to extend the date of closing an additional 30 days to accommodate such efforts by Seller.

If the closing date is not extended, either party may declare this Agreement null and void, the parties shall immediately sign a cancellation or purchase agreement in confirmation, and earnest money will be refunded to Buyer. If this Agreement is voided for Seller's failure to provide marketable title, neither party shall be liable for damages.

8. **Default.** If title is marketable or is corrected within said time, and Buyer defaults in any of the agreements herein, Seller may terminate this Agreement, and on such termination all payments made hereunder shall be retained by Seller, as liquidated damages, time being of the essence hereof. This provision shall not deprive either party of the right of enforcing the specific performance of this Agreement, provided this Agreement is not terminated and action to enforce specific performance is commenced within six months after such right of action arises. In the event Buyer defaults in his performance of the terms of this Agreement, and Notice of Cancellation is served upon the Buyer pursuant to Minn. Stat. § 559.21, the termination period shall be thirty (30) days as permitted by Minn. Stat. § 559.21, subd. 4.
9. **Risk of Loss.** If there is any loss or damage to the Property before the closing date for any reason, all risk of loss shall be on Seller. If the Property is substantially damaged or destroyed before Closing, Buyer may cancel this Purchase Agreement by providing written notice to Seller or Seller's agent. If Buyer cancels the Purchase Agreement, the parties shall immediately sign a cancellation of Purchase Agreement in confirmation, and earnest money will be refunded to Buyer.
10. **NOTICE REGARDING PREDATORY OFFENDER INFORMATION: Information about the predatory offender registry and persons registered in it under Minn. Stat. § 243.166 can be obtained by contacting the local law enforcement offices in the community where the property is located, or the Minnesota Department of Corrections at (651) 642-0200 or at its website, www.corr.state.mn.us.**
11. **Acceptance.** Buyer understands and agrees that this sale is subject to acceptance by Seller in writing.


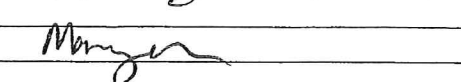
12. **Airport Zoning Disclosure.** If airport zoning regulations affect this real property, a copy of these adopted regulations can be reviewed or obtained at the office of the county recorder where the zoned area is located.
13. **Subdivision of Land.** If this sale involves a subdivision of land owned by Seller, Seller shall pay all expenses and obtain the required government approvals. Seller warrants that the legal description of the real property to be conveyed has been or shall be approved by the date of Closing.
14. **Entire Agreement** This Purchase Agreement, and any attached exhibits, addenda, or amendments signed by the parties, constitute the entire agreement between Buyer and Seller. This Agreement can only be modified in writing signed by Buyer and Seller. Buyer or Seller may be required to pay certain closing costs which effectively reduce the proceeds from sale or increase cash outlay at closing.
15. **Other.**
 - (a) Buyer acknowledges that the parcel is sold "AS IS". Attached hereto and made a part hereof is the "AS IS" ADDENDUM (Addendum 2).
 - (b) The Seller and Buyer agree to request that North American Title (NAT), 660 West Bridge Street, Owatonna, MN, serve as closing agent for this transaction.
 - (c) This Agreement is contingent upon the approval by the City Council of the City of Owatonna.

We, the owner of the Property, accept this Agreement and the sale hereby made. I agree to purchase the Property for the price and on the terms and conditions set forth above.

BUYER
City of Owatonna

By: 
Troy Klecker
Its: Community Development Director

SELLER
Keith Hoogland Ltd. Partnership

By: 
Its: 

Delivery of all papers and monies shall be made at the office of:
North American Title

660 West Bridge Street, Suite 100
Owatonna, MN 55060
Phone: 507-455-3388

THIS INSTRUMENT WAS DRAFTED BY:

Mark M. Walbran (#113712)
140 East Main Street
P.O. Box 273
Owatonna, MN 55060
Phone: 507-451-1173