

OPEN SALE MEMORANDUM

Northrop School



City of Minneapolis
*Department of Community Planning
& Economic Development - CPED*



**MINNEAPOLIS
PUBLIC SCHOOLS**
Urban Education. Global Citizens.

Overview

Under direction of the Minneapolis Public Schools (MPS), the City of Minneapolis has been retained to oversee the sale of the Northrop School property at 1611 East 46th Street. The primary objective of this process is the successful disposition of property to a qualified third party for acceptable use of the property consistent with the current R3 zoning. MPS will consider offers for re-use of the building and/or redevelopment of the property.

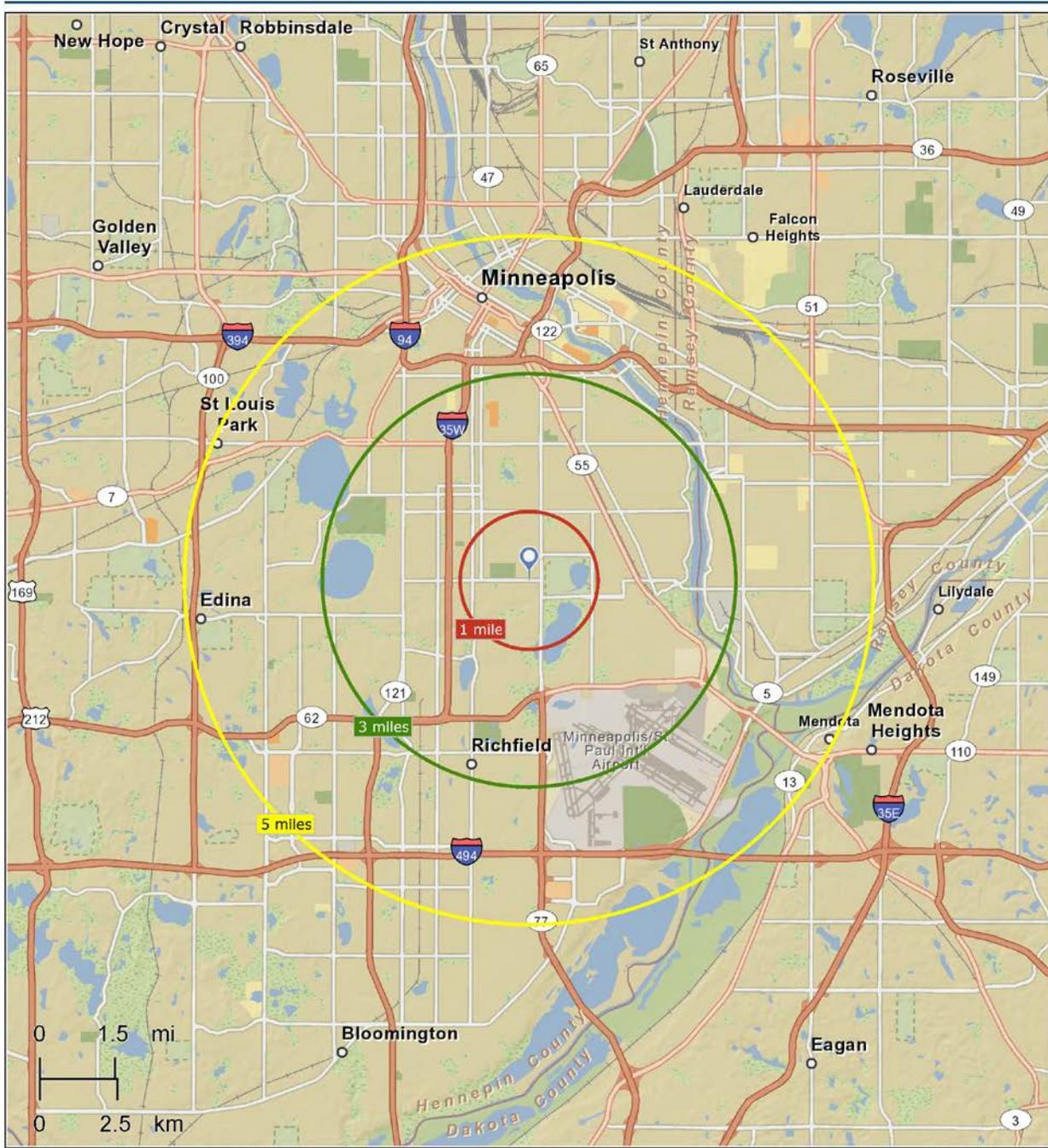
MPS will give significant consideration to the reputation of the purchaser and any potential proposed use or redevelopment discovered within the marketing and sale process.

The Owner has authorized The City of Minneapolis Department of Community Planning and Economic Development to exclusively market the Northrop School property. The owner makes no representations or warranties. This is an “as is” sale.

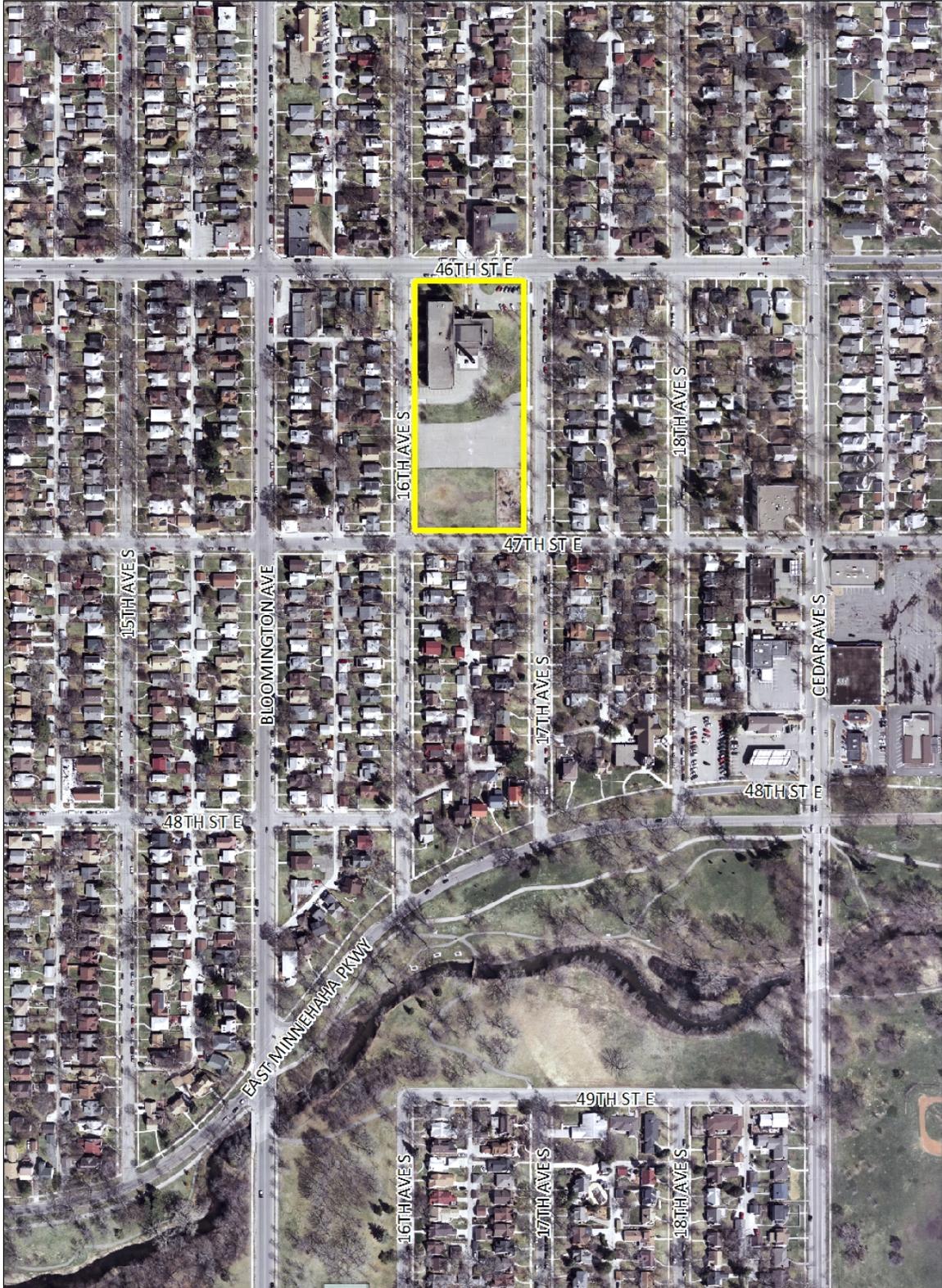


Site Map

Northrop School



October 29, 2012



Sale Process

The Minneapolis School District property is being offered through an open sale. The Owner has authorized the City of Minneapolis to exclusively market the property. The owner makes no representations or warranties. This is an “as is” sale. The following is a schedule of key dates:

Distribution of initial offering materials	December 5, 2012
Property Open House *	December 13, 2012, 9:00a.m. - 12:00 p.m. AND 1:00 p.m. – 4:00 p.m.
Offer deadline	February 5, 2013, 4:00 p.m. **
Purchase agreement	March 26, 2013

* Access may also be coordinated through CPED on a case-by-case basis

**MPS and the City are strongly encouraging the submission of offers prior to this date since offers will be considered as soon as they are received and in the order received.

The City of Minneapolis Department of Community Planning & Economic Development (CPED) will review all offers and make a recommendation to the Minneapolis Public Schools. All offers will be considered. However, MPS retains the right to reject any and all offers. An offer may be accepted or rejected prior to the February 5th deadline. If an offer is accepted, the OSM process will terminate,

Potential buyers should be prepared to present their intentions for the property to the Field Regina Northrop Neighborhood Group. CPED staff will contact offering entities regarding neighborhood engagement.

Offer Contents

Offers must include the following information to be deemed complete and responsive and must be in the following order and with corresponding section numbering on tab dividers. The information being requested with offers is necessary for the City and MPS to adequately evaluate your offer. Failure to supply the requested information may result in rejection of your offer. Select items below must be presented in special format as noted. The City and MPS are not responsible for the costs incurred by respondents or their subcontractors in connection with this sale, including, but not limited to costs associated with preparing an offer or associated with participating in any related presentations or negotiations. Offers deemed incomplete and/or non-responsive will not be considered.

1. A **cover page** that includes:
 - a. Respondent's name and mailing address.
 - b. Respondent's current legal status: corporation, partnership, etc.
 - c. Contact person's name, title, phone number, and e-mail address.
 - d. Signature of authorized corporate officer for each entity proposing as a partnership or team.

2. A **description of the purchase offer** including:
 - a. The amount of the offer and the methodology that it was based on.
 - b. The amount of the earnest deposit and relevant terms, including conditions and contingencies to closing, and a timetable showing major milestones, i.e. finalizing financing, completing design, securing approvals and permits, and start of construction.
 - c. The source and terms of the financing of the purchase of the property and evidence of a preliminary commitment for this financing. Respondents must also show how they will be able to meet MPS's condition of closing on the purchase, which is anticipated within 90 days from the date of signing of the purchase agreement with MPS.
 - d. A sources and uses pro-forma that demonstrates the financial feasibility of the proposed use or uses, and also evidence of a preliminary commitment for any debt financing for the development.

3. A **description of the entities involved** in the development team that includes:
 - a. List of development team members, including developer, architect, building owner, property manager, tenants, professional consultants, and any other team members)
 - b. Summary of the development team's track record, including, but not limited to:
 - i. Experience working together and in developing projects of similar type or scale, with specific emphasis on your intended use. Include a list of similar developments, real estate experience within the City of Minneapolis and, if redeveloping, the number of projects currently underway.
 - ii. Current real estate holdings – number, asset value and by market classification.
 - iii. Information on the location of past projects, their type, their development costs, their development funding sources, their current status, and any continued financial or operating interest in them.
 - iv. Previous relevant development experience working with public entities, including reference contact information.
 - v. The City and MPS may ask for supporting documentation substantiating claims of previous experience.
 - c. Summarize any lawsuits to which the members of the development team or any principals of the development team have been a party.

- d. Identify the principal person who will speak for the development team and any other key participants who will be involved in negotiating the project terms.
 - e. Specify whether the development team is or intends to form a corporation, a limited liability company, a general or limited partnership, a joint venture or other type of business entity to carry out the development project.
 - f. Respondents must also provide two years of audited financial statements. If there is a concern about confidentiality, they may be submitted confidentially to the CPED Director under separate cover.
4. A **narrative project description** that should include, but is not limited to, the following information:
 - a. Description of the development project, e.g., size of building and square footage of specific components, nature of improvements, parking spaces, anticipated materials and design style, circulation patterns, and loading/service provisions to be built on the site, and the proposed rehabilitation plan for school building (if applicable).
 - b. Plan for transportation access, including parking needs.
 - c. “Green” building features, techniques, and/or certifications.
 - d. Exhibits of preliminary schematics, plans, and/or elevations.
 5. An **executed “Consent for Release of Response Data” form (Attachment #1)**. Offers that do not include an executed “Consent for Release of Response Data” form shall be considered incomplete and grounds for rejection of the offer.
 6. Describe how your proposed use will promote and/or complement the interests of the Minneapolis School District.
 7. How will your organization interact with the surrounding community; specifically, what benefits or ‘added value’ will your organization bring to the community surrounding the property?
 8. Any **other information** that would help City and MPS staff understand/evaluate the concept.

The contents of the offer and any clarification to the contents submitted by the successful respondent may become part of the contractual obligation and be incorporated by reference into the development contract between the selected developer and MPS.

Offer Submission

All offers must be received no later than February 5, 2013. However, MPS and the City strongly encourage the submission of offers prior to this date since offers will be considered as soon as

they are received and in the order received. Respondents must submit copies of their offers as follows:

- One unbound copy
- Eight bound copies
- One electronic version in Microsoft compatible or PDF format on CD, including Excel files for project financial information as described above.

Offers must be on standard 8 ½" by 11" paper. Foldouts containing charts, spreadsheets, drawings, and oversized exhibits are permissible as long as they are packaged with the offer. Offers and supporting documentation must be submitted in a package labeled "**Northrop School Site**" and sent to:

City of Minneapolis
Community Planning & Economic Development
Attention: Jerry LePage
105 Fifth Avenue South, Suite 200
Minneapolis, MN 55401

Faxed offers will not be accepted. Respondents may choose to provide additional copies if and when invited to do so for presentation purposes. Submissions will not be returned.

MPS and the City are strongly encouraging the submission of offers prior to the February 5th deadline date since offers will be considered as soon as they are received and in the order received.

It is neither the City's responsibility nor practice to acknowledge receipt of any offer. It is the respondent's responsibility to assure that an offer is received in a timely manner.

Evaluation Criteria

Community Planning and Economic Development will consider the following criteria when recommending acceptance of an offer to Minneapolis Public Schools:

In reviewing potential offers, the following criteria are among those that will be considered:

1. Proposed purchase price to MPS for the property, and proposed earnest deposit.
2. The experience and the financial and organizational capacity of the developer in successfully planning and completing development projects of similar type and scale, on time and within budget.

3. The extent to which the proposed use of the property is in compliance with the Minneapolis Zoning Code and comprehensive plan.
4. Market and financial feasibility and the ability to secure necessary financing.
5. Project readiness and feasibility of proposed project schedule.
6. Overall quality of the submission and adherence to the offer content requirements.
7. How the proposed offer and the proposed use (s) will promote and/or complement the interests of the Minneapolis School District.
8. Review of related previous experience.

The City and MPS may, in their sole discretion, expand or reduce the criteria upon which it bases its final decisions regarding selection of the development team or developer for this site.

Site Overview

Located at 1611 East 46th Street, Minneapolis, Minnesota 55407, Northrop School previously housed kindergarten through fifth grade educations programs for the Minneapolis Public School District. Situated in the Northrop Neighborhood, the school property is on a 155,279 square foot parcel of land. The property occupies a full city block bounded by East 46th Street, East 47th Street, 16th Avenue South, and 17th Avenue South. The parcel is zoned R3 Multiple-family district.

The Northrop School property is located in a residential setting surrounded by single-family homes and within blocks of neighborhood retail and parks, including some of the more desirable outdoor recreational areas in the city of Minneapolis. It is three blocks west of Hiawatha Golf Course and Lake Hiawatha, two blocks north of Minnehaha Creek and Minnehaha Parkway, and six blocks northwest of Lake Nokomis.

Building Description

The building is 33,698 square feet, consists of two stories shaped as a “T”, and has a total of thirteen classrooms. On the first floor, there is a gymnasium with a stage, a heat and serve kitchen, the administrative offices and seven classrooms. On the second floor, there are six classrooms and a media center. All the classrooms are similar in size and have two sets of bathrooms in them.

Of the 33,698 square feet of total building area approximately 9,041 square feet is common area (approximately 6,154 square feet on the first floor and approximately 2,887 square feet on the second floor) consisting of hallways/corridors, stairwells, restrooms, and mechanical rooms.

Based on the current floor plan of the building, the Common Area Factor, the ratio of common area to total building area, is 26.83%.

In addition to the common areas the first floor consists of seven classrooms, a kitchen of approximately 331 square feet, a gymnasium/stage of approximately 3,800 square feet, and additional square feet used for miscellaneous purposes (storage, workrooms, and general office/staff spaces). First floor classrooms are the following sizes: 1,117 square feet, 1,010 square feet, 1,092 square feet, 990 square feet, 690 square feet, 680 square feet, and 867 square feet.

In addition to the common areas on the second floor there are six classrooms, a media center of approximately 2,486 square feet, and additional square feet used for miscellaneous purposes (storage, general office/staff spaces, and open space to first floor gymnasium). Second floor classrooms are the following sizes: 1,117 square feet, 1,070 square feet, 1,066 square feet, 1,032 square feet, 888 square feet, and 884 square feet. This facility was constructed in 1923-1924. An addition to this facility was constructed in 1942-1943. The entire facility is classified as a concrete cast-in-place structure. It is a two-story structure with a recessed boiler plant with an open space (basement) approximately six feet (6') in height. The exterior walls vary in thickness but most are one foot three inches (1'-3") of concrete with a brick veneer face. The support structure is cast-in-place columns, beams, joists, and deck. Many of the support beams that parallel the corridors are three feet (3') deep. With the exception of the gymnasium, above the level two deck is a wood frame roof support system with the exterior walls rising above the roofline to form the parapet. The roofing is placed atop this structure. The gymnasium continues with the cast-in-place roof deck and the roofing is placed directly atop the concrete.

Level one has a clear height of approximately twelve feet (12') with level two having a clear height of eleven feet six inches (11'-6"). The gymnasium has a clearance of twenty feet (20').

Year Built	1923
Building Footprint	20,231 SF - First Floor 13,430 SF - Second Floor "T" shaped, two stories
Total Square Feet	33,698 sf
Common Area	Approximately 9,041 SF Total Approximately 6,154 SF First Floor Approximately 2,887 SF Second Floor
Elevator	One
Classrooms	13 Classrooms ranging in sizes from approximately 680 to 1,117 sf. Classroom clearing is 12' floor to deck
Non-Classroom Space	Office spaces, workrooms, gymnasium/auditorium, stage, media center, lunchroom, and kitchen
Exterior	Brick exterior on old and new portion
Windows	Original Double Hung Type A windows with wood frames (approximately 150 windows)
Bathrooms	Common and private bathrooms
Ceiling Tiles	All the classrooms have acoustical ceiling tiles that are glued on.
HVAC	2-pipe boiler system. One fired with natural gas, the other coal. There is an air handling unit for the gymnasium. Each classroom has radiant heat and an air handler. They are both controlled with the same thermostat.
Roof	The roof was inspected during the month of August 2007. All observations are based upon this date. This facility has two roof systems with one system on two levels and the second system on a third level. The first section (12,528 square feet) has a 4-ply built-up roof that is at the end of its useful life. A 4-ply roof consists of insulation layers to meet the heat loss code. This insulation is covered with four layers of tarpaper that are

	<p>applied with hot tar and covered with pea-sized rock. It was installed in approximately 1974 and contains one inch (1”) of insulation. A new 4-ply built-up roof will cost approximately \$125,000.00. It is recommended that this roof be replaced to protect the facility from water damage.</p> <p>The second level (7037 square feet) of 4 ply built-up roof is in relatively good condition with a life expectancy of five – ten years. There is three and one half inches (3.5”) of insulation on this roof. It was installed in 1996. Recommended repairs include removing debris and unplugging the roof drains (pipes that take the water from the roof to the drainage system), the installation of counterflashing to cover exposed gaps in the base flashing, and replacing three vent stacks (pipes that extend through the roof). The cost to make these recommended repairs is \$1,400.00. To maintain the life expectancy of this roof, these repairs should be accomplished immediately.</p> <p>The third level (386 square feet) has a CAP sheet that was installed in 1996. A CAP sheet consists of a very thick layer of tarpaper that is rolled out. It is secured to the roof with mastic adhesive and the joints are sealed with tar. It has a life expectancy of three – five years and contains three inches (3”) of insulation.</p> <p>Several areas of base flashing have open gaps and should be sealed with plastic cement and fabric. This roof has several blisters (bubbles) and wrinkles and should be monitored for any deteriorating changes.</p> <p>The cost to make this recommended repair is approximately \$300.00. To maintain the life expectancy of this roof, these repairs should be accomplished immediately.</p>
<p>Mechanical Overview</p>	<p>A visual inspection of the mechanical systems occurred during August 2007. All observations are based on this date.</p> <p>This facility is heated with a 2-pipe natural gas fired boiler. There is an additional coal fired boiler that is not in use. The rooms have cast iron radiators with pneumatic controls. The media center has its own air-handling unit (AHU) for cooling. There are two air-handling units (AHU’s) for cooling this facility. To change the boiler that is not in use from coal to natural gas will cost approximately \$80,000. With normal maintenance the boilers should operate for another twenty years.</p>

	<p>The plumbing system in this facility appears to be in good working condition. Normal maintenance should allow this system to operate indefinitely.</p>
General Observation	<p>The footprint of this building lends itself to some flexibility. The main entrance is at the center of the building along with good architectural features allowing it to be a center of focus. It has wide hallways that add to the common area, but the hallways can be reduced to allow for more usable space. The reduction can be completed on either side of the hallways which gives it further flexibilities. The private rooms are of good size ranging from 600 sf to approximately 1,117 sf with the exception of the gymnasium. The rooms are adjacent to each other, thus combining the rooms is a possibility. There are currently bathrooms in most of the classrooms. The common bathrooms are small and out of compliance, but they are centrally located and future expansion is a possibility.</p>











Site Details

Soils

Based on the Regional Landscape Ecosystems of Michigan, Minnesota, and Wisconsin General Technical Report NC-178 by Dennis A. Alber, Ecologist, the city of Minneapolis, falls within subsection of Big Woods and Anoka Sand Plain.

The Big Woods subsection's bedrock consists of Ordovician and Cambrian sandstone, shale and dolomite to the south and Cretaceous shale, sandstone, and clay to the north (Morey 1976). The soil consists of loams and clay loams (University of Minnesota et al. 1979). These are classified as both Mollisols (primarily Udolls and Aquolls) and Afisols (primarily Udalfs and Aqualfs) (Cummins and Grigal 1981).

The Anoka Sand Plain subsection is underlain by Cambrian and Ordovician dolomite, sandstone and Shale (Morey 1976). Soils are derived primarily from the fine sands of the outwash plain. The majority of these sandy soils are droughty, upland soils (psamments). There are organic soils (Hemists) in the ice block depressions and tunnel valleys as well as poorly drained prairie soils (Aquolls) and the Mississippi River (Cummins and Grigal 1981). About 70-80 percent of the soils are well drained or excessively well drained sands, and the other 20 percent are very poorly drained.

Topography and Drainage

This site was visually inspected in June 2007. All observations are drawn from visual inspection as well as drawings that were provided by the Minneapolis Public Schools.

The parcel is rectangular in shape and runs 575 feet from north to south and 270 feet from west to east. Visually, the site has two distinctive elevations. Based on the original site plan from 1941, the north portion is approximately 22 feet higher than the south portion. On the north portion, the grade changes gradually south by about 8 to 10 feet, then drops off by about 12 feet to a lower plateau. Given this natural slope, it would be safe to assume, that the drainage goes from north to south and is naturally dispersed into the grass area.

Site Layout and Improvements

The building is located on the north half of the site. The south half of the site is an open recreational area that is divided into three surfaces; there is an asphalt court area directly south of the building, a baseball field on the southwest corner of the site, and an area on the southeast corner with playground equipment.

The south half the site has a fence that runs along the east, west and south property line. The fence appears to be in fair condition. There are areas in the east and south portion of the fence

that seem loose and could use some tightening up, there does not appear to be any holes in the fence or any loose poles. Overall, the fence appears to be holding its integrity.

Parking Lot

There are two parking lots; one on the northeast corner of the building and another on the south/southeast corner of the building. The northeast parking lot has two curb cuts that allow for entrance and exit. It appears that this parking lot drains south directly into the city sewer. The south/southeast parking lot has one curb cut on the west side of the street for entrance and exit purposes. It appears that this parking lot drains south into the grass as well as west into the street. The asphalt parking lot shows signs of disrepair. There appears to be sufficient room for 12 to 15 stalls in the northeast lot and 30 to 35 stalls in the south/southeast lot depending on the number of compact stalls. There are signs of loose asphalt, cracks and other deformities from use. The parking lot will need spot patching and a new seal coat to extend its useful life.

Parcel Size	155,279 SF Rectangular shaped approximately 270' x 575'
Site Description	The building is on the northern half of the site with the southern half being a playground with grass and hard surfaces.
Parking Lot	Two parking lots - Northeast corner (12-15 Stalls) - Southeast corner (30-35 Stalls)
Fence/Retaining Walls	The southern half of the site has a chain link fence that runs the east, south and west perimeters of the site.
Sidewalks	Six foot sidewalk surrounds the perimeter

Ten Year History of Costs

	FY 03	FY 04	FY 05	Closed FY 06	FY 07	FY 08	FY 09	FY 10	Heat off FY 11	FY 12	3 Yr Avg	\$ / Sq Ft
Electricity	9,544	10,157	10,370	7,363	3,600	3,287	3,451	3,624	2,122	2,234	2,660	\$ 0.079
Gas	25,469	28,165	29,400	37,491	37,491	44,864	74,181	28,385	614	845	9,948	\$ 0.295
Water/Sewer	1,434	3,688	5,846	4,028	3,000	5,517	5,793	6,082	6,567	6,745	6,465	\$ 0.192
Building Maintenance	28,308	80,098	18,471	16,761	23,453	23,071	16,571	40,071	3,404	6,489	16,655	\$ 0.494
Playground Maintenance	-	2,851	352	400	300	309	318	328	338	348	338	\$ 0.010
Grounds Maintenance-Fields	592	592	610	628	647	666	686	707	728	750	728	\$ 0.022
Snow Removal-Parking Lots	1,310	1,310	1,349	1,390	1,431	1,474	1,519	1,564	1,611	1,659	1,612	\$ 0.048
Snow Removal-Playgrounds	2,300	2,300	2,300	2,300	300	309	318	328	338	348	338	\$ 0.010
Elevator	1,279	2,245	1,958	1,827	200	200	206	212	219	225	219	\$ 0.006
Custodial	93,043	111,997	123,621	7,112	7,332	7,552	7,779	8,012	4,000	4,120	5,377	\$ 0.160
Trash	1,599	1,599	1,599	450	-	-	-	-	-	-	-	\$ -
Subtotal Operating Costs	164,878	245,002	195,876	79,750	77,754	87,250	110,822	89,313	19,940	23,763	117,794	\$ 3.496
												\$ -
Building Insurance											2,190	\$ 0.065
Debt Service											50,973	\$ 1.513
Subtotal Other Costs											53,163	\$ 1.578
Total Costs											170,957	\$ 5.073

Notes:

- Maintenance totals are pulled from the district work order system and may not reflect the true maintenance for the building.
- Playground Maintenance includes: structure and surface.
- Snow Removal is based on .06 per square yard, 10 removals per year plus 10 sandings for parking lots.
- Snow Removal for playgrounds is based on paved areas.
- Grounds Maintenance is for fields only.
- Elevator costs are district averages that include: State inspections, routine maintenance and repair.
- Custodial cost above includes: mowing of district lawns and snow removal/sanding of sidewalks.
- Custodial time for sanding and snow-custodial is based on 7.5 hours per week average.
- Custodial time for mowing is based on 5.0 hours per week average.

Zoning and Comprehensive Plan

Zoning on the property is R3 Multiple-family district. The R3 district allows housing of up to 29 dwelling units per acre (regulated in the zoning code as a minimum lot area of 1,500 square feet per dwelling unit). The maximum floor-area ratio (FAR) for new housing development is 1.0, with lot area and FAR density bonuses available for structured parking and affordable housing. Schools are allowed as a conditional use. For a complete list of allowed uses and more details about the regulations for new development, consult the full text of the zoning code at the following URL: <http://www.minneapolismn.gov/zoning/>

The Minneapolis Plan for Sustainable Growth was adopted by the Minneapolis City Council in 2009 and serves as the City's comprehensive plan. Future land use guidance for this property in the comprehensive plan is Urban Neighborhood, which means that the existing pattern of predominantly residential land uses and zoning will remain. The existing R3 zoning is consistent with this designation on this property and will remain.

Previous Land Use and Heritage Preservation Approvals

In 2010 the Minneapolis City Planning Commission approved land use applications for a planned unit development with 107 dwelling units on the site. That project did not move forward, and the land use approvals have since expired. Concurrent with those applications, the City Planning Commission recommended that the City Council rezone the property from R1A to R3. The City Council approved this rezoning, and the R3 zoning remains.

Also in 2010, the Minneapolis Heritage Preservation Commission approved a Demolition of Historic Resource application for the school building. That approval has expired as well.

Minnesota Government Data Practices Act

A offer is subject to the Minnesota Government Data Practices Act, Minnesota Statutes Ch. 13 (the "Act"). Generally, a response to an offering is classified as "business data" pursuant to Section 13.591 of the Act. However, to satisfy the City's citizen participation requirements, the City requires each proposer to authorize the City to share the contents of its offer at one or more public meetings. Therefore, each proposer shall execute and submit a "Consent for Release of Response Data" form, which is included as Attachment 1. Failure to submit the "Consent for Release of Response Data" will be grounds for rejection of the entire offer as unresponsive. Notwithstanding the foregoing, if proposers are being asked to provide financial statements as part of the offering response and/or review, proposers may submit such financial statements confidentially under separate cover pursuant to the Act.

Attachments

1. Consent for Release of Response Data
2. Asbestos Management Plan