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8200 Humboldt Ave So, Ste 310 Bloomington, Mn 55431

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March 20<sup>th</sup>, 2014

Dear Members of the Council,

Re: Demolition Permit: 2320 Colfax Avenue So, Mpls

On behalf of the Owners of the property, Michael and Linda Crow, I wish to address some of the comments made at the last HPC hearing.

First, in regards to marketing the properties for sale, the initial response to the question of whether it was listed on a multiple listing service, was meant as a positive response to whether the property was aggressively marketed for sale. However Terra Firma did not list the property on a multiple listing service – this is not the convention when marketing multi-family properties for sale in the twin cities. However, the Seller had it listed for a couple years on a variety of real estate web sites before Terra Firma's involvement.

Attached please find the current list of all the apartments buildings listed for sale on MnCar, the multiple listing service for commercial real estate agents in Minnesota. Notice there are thirty-three (33) apartments currently listed for sale. Also notice – not a single one is in Minneapolis. In fact, thirty-one of them are outside the seven county metropolitan area. This is because there is much less demand for apartment buildings in out-state than in the metro area. And, just as important, Sellers do not want potential Buyers visiting the property unescorted. Operating apartments is hard enough without showing the tenants the Landlord does not have a long term commitment to the property. Plus, after more than twenty-five years in the business, I know almost all the apartment owners.

Marketing a rooming house is much like marketing an apartment building – that is essentially what a rooming house is. So a Seller would not market toward single family home buyers. The property is already more valuable than many single family homes in the neighborhood making it economically unfeasible to convert it back to a less dense use. A rooming house is a small business, and contrary to what some believe, the owner is not earning a premium price on the sale to the developer. He is getting a fair market price for the rooming house operation, a price that happens to work for a developer. If the owner had known from the outset a developer could build an apartment building for certain, he may have earned a premium.

The property does generate good income. The problem is: it is hard work. Those who can afford to buy the property would rather buy an apartment building. Turnover is pretty much constant. Rooming houses are a dying industry in the twin cities, there are very few remaining. Nearly all

of them have already been redeveloped, essentially because there is no demand. Just like the closing of video stores – no one goes there anymore. Very few tenants desire to have a single room and share a bathroom and kitchen with four or five others who are willing to live in such a way.

Terra Firma did market the property aggressively. One surely cannot dispute the results: listing in May and under contract in August. And we did not market exclusively toward developers. In fact, in anticipating the negative reaction to any new development, we were hesitant to agree to sell to a developer. However, it just so happened a developer saw and pursued the opportunity. An opportunity which is fully appropriate for the developer since the city council recently wisely reaffirmed the property zoning as R-6, multi-family.

Once the property was under contract via the terms of a purchase agreement, the Seller, according to Minnesota state law, cannot continue to solicit offers. That would be unlawful as it is considered torturous interference in a contract. How would you like it if you signed a purchase agreement for a house and the seller continued to look for better offers? Before a Buyer starts spending money on appraisals, plans, etc. they must have the full commitment of the Seller.

However, though we cannot continue to aggressively market the property for sale, there is no law against Buyers submitting backup offers. And, most significantly in terms of marketing, this process, which began in August 2012, that is – twenty (20) months ago, has brought the property unprecedented exposure, yet, notwithstanding the promises of the opposition, not a single person has contacted Terra Firma Commercial to even inquire. In and of itself, this is irrefutable evidence no reasonable alternatives exist to remove two blighted properties.

At the next Council meeting we shall demonstrate the property lacks the historical significance required to meet previously established criteria to be worth saving.

Your consideration is sincerely appreciated. We encourage you to come and tour the property so you can see for yourself. Just let me know when would be convenient and we can set it up.

Thanks a lot,



Tom Dunn  
President  
Terra Firma Commercial  
(952) 887-2000



	Property Name Address Market Submarket	General Use Specific Use Building Size Lot Size	Year Built Available SF % Occupied Date On Market	Sale Price Price/SF Cap Rate NOI
1	 12 Unit Multi-Family 615 11th St SW Out of Metro - North --	MUH Apt-Garden 12,000 SF 1.52 Ac.	2003 12,000 SF -- 08/13/2013	\$799,000 \$66.58 /SF 8.5%
	<b>Contact: -----</b>			
2	 Rosebud Apartments 625 12th Ave N Saint Cloud --	MUH Apt-Garden 12,488 SF 0.73 Ac.	1967 12,488 SF -- 05/02/2013	\$1,147,900.00 \$91.92 /SF
	<b>Contact: -----</b>			
3	 13th Street Apartments 525 13th St S Saint Cloud --	MUH Apt-Garden 18,204 SF 0.58 Ac.	18,204 SF -- 01/01/2013	\$950,000 \$52.19 /SF
	<b>Contact: -----</b>			
4	 Riverview Place & Riverview Place North Apartments 1308 15th Ave N Out of Metro - North --	MUH Apt-Walk Up -- --	1987 1 SF 100%	\$1,675,000 \$1,675,000.00 /SF .05%
	<b>Contact: -----</b>			
5	 West Main Apartments 7 2nd Ave NW Out of Metro - South --	MUH Apt-Walk Up 6,500 SF 0.22 Ac.	1978 6,500 SF 100% 07/23/2012	\$325,000 \$50.00 /SF 8.61% \$28,014.31
	<b>Contact: -----</b>			
6	 Virginia Apartments 602 7th St S Out of Metro - North --	MUH Apt-Walk Up 9,000 SF 0.17 Ac.	1935 9,000 SF 100% 11/05/2013	\$299,000 \$33.22 /SF
	<b>Contact: -----</b>			
7	 8 Plex in Taylors Falls 812 Chisago St Northeast --	MUH Apt-Garden 7,800 SF 1.50 Ac.	1979 7,800 SF -- 09/24/2013	\$469,000 \$60.13 /SF 0% \$0.00
	<b>Contact: -----</b>			
8	 Sale Portfolio - 3 Multi Family Properties 812 Chisago St Northeast --	MUH Apt-Garden 13,000 SF --	13,000 SF -- 01/21/2014	\$849,000 \$65.31 /SF \$0.00
	<b>Contact: -----</b>			
9	 208 Cloutier St 208 Cloutier St Western WI - South --	MUH Apt-Garden 8,112 SF --	1986 8,112 SF 100%	\$490,000 \$60.40 /SF
	<b>Contact: -----</b>			
10	 259 Dayton Ave 259 Dayton Ave Southeast --	MUH Apt-Walk Up 7,574 SF 0.18 Ac.	1900 7,574 SF 100% 12/11/2013	\$470,000 \$62.05 /SF 8.22% \$35,673.00
	<b>Contact: -----</b>			

Information obtained from sources deemed reliable. While considered accurate, we make no guarantee, warranty or representation.

Date: 03/20/2014

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11	 Driftwood Plaza Apts 855 Driftwood Dr Saint Cloud --	MUH Apt-Garden 23,040 SF 0.47 Ac.	1980 23,040 SF -- 07/25/2013	\$1,175,000 \$51.00 /SF
	<b>Contact: -----</b>			
12	 Moravian Congregate Care Center 232 Elm St Southwest --	MUH Apt-Garden 13,300 SF 0.39 Ac.	1943 13,300 SF 99.99% 01/11/2013	\$200,000 \$15.04 /SF
	<b>Contact: -----</b>			
13	 12725 Fremont Ave 12725 Fremont Ave Northwest --	MUH Apt-Walk Up 4,144 SF 0.19 Ac.	1947 4,144 SF 100% 03/12/2014	\$285,000 -- 9.64% \$27,500.00
	<b>Contact: -----</b>			
14	 205 N Grove St 205 N Grove St Out of Metro - South --	MUH Apt-Garden 5,216 SF 0.40 Ac.	1989 5,216 SF -- 03/05/2014	\$99,000 \$18.98 /SF
	<b>Contact: -----</b>			
15	 Brainerd Lakes Apartment Portfolio 2307 Hillcrest Dr Saint Cloud --	MUH Apt-Garden 13,000 SF --	2003 13,000 SF -- 02/05/2014	\$816,000 \$62.77 /SF
	<b>Contact: -----</b>			
16	 Brainerd Lakes Apartment Portfolio 2409 Hillcrest Dr Saint Cloud --	MUH Apt-Garden 11,000 SF --	2007 11,000 SF 100% 02/05/2014	\$571,200 \$51.93 /SF
	<b>Contact: -----</b>			
17	 Brainerd Lakes Apartment Portfolio 2500 Hillcrest Dr Saint Cloud --	MUH Apt-Garden 15,600 SF --	2006 15,600 SF 100% 02/05/2014	\$789,500 \$50.61 /SF \$0.00
	<b>Contact: -----</b>			
18	 15 Unit Apt Bldg 30 Hwy 4 S S Saint Cloud --	MUH Apt-Garden 17,460 SF 0.00 Ac.	1998 17,460 SF -- 09/16/2013	\$640,000.00 \$36.66 /SF
	<b>Contact: -----</b>			
19	 110 Loretto 110 Loretto St West --	MUH Apt-Walk Up 3,200 SF 0.26 Ac.	1930 3,200 SF -- 10/21/2013	\$160,000 \$50.00 /SF
	<b>Contact: -----</b>			
20	 Prior Lake Apartments 16824 Lyons Ave SE Southwest --	MUH Apt-Walk Up 3,672 SF 0.66 Ac.	1978 3,672 SF -- 11/13/2013	\$349,000 \$108.39 /SF
	<b>Contact: -----</b>			

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21	 Assisted Living Facility 632 Main St Saint Cloud --	MUH Apt-Walk Up 10,400 SF 1.00 Ac.	10,400 SF 100% 03/05/2013	\$275,000 \$26.44 /SF
	<b>Contact: -----</b>			
22	 318 E Main St 318 E Main St --	MUH Apt-Mid/High 15,756 SF --	15,756 SF  06/17/2013	\$400,000 \$25.39 /SF
	<b>Contact: -----</b>			
23	 Paynesville Place Apartments 703 Main St W Saint Cloud --	MUH Apt-Garden 17,291 SF 1.48 Ac.	1960 17,291 SF  12/20/2012	\$895,000 \$51.76 /SF 9.5%
	<b>Contact: -----</b>			
24	 2935 Meadowview Cir N 2935 Meadowview Cir N Saint Cloud --	MUH Apt-Garden 20,500 SF --	20,500 SF  02/05/2014	\$1,098,000 \$53.56 /SF
	<b>Contact: -----</b>			
25	 Cedar Commons 8600-8680 Old Cedar Ave S Southwest --	MUH Apt-Garden 122,238 SF 5.53 Ac.	122,238 SF  02/03/2014	\$9,250,000 \$75.67 /SF \$0.00
	<b>Contact: -----</b>			
26	 Hillside East 369-391 Old Highway 8 SW Northeast --	MUH Apt-Garden 97,200 SF 5.42 Ac.	1966 97,200 SF 96.3% 02/19/2014	\$7,600,000 -- 7.2% \$547,838.00
	<b>Contact: -----</b>			
27	 412 Pierce St 412 Pierce St Northeast --	MUH Apt-Garden 14,604 SF 0.38 Ac.	1926 14,604 SF 90% 12/11/2013	\$825,000 \$56.49 /SF 8.9% \$73,425.00
	<b>Contact: -----</b>			
28	 Redwood property 1610 Redwood Dr Western WI - South --	MUH Apt-Walk Up 100,000 SF 0.00 Ac.	1987 100,000 SF 100% 10/07/2013	\$499,900 \$5.00 /SF 8%
	<b>Contact: -----</b>			
29	 11279 River Road NE 11279 River Rd NE Northwest --	MUH Apt-Walk Up 11,111 SF 0.58 Ac.	1900 11,111 SF  03/06/2014	\$265,000 -- 16.24% \$43,056.00
	<b>Contact: -----</b>			
30	 1530 Sherburne Avenue 1530 Sherburne Ave Northeast --	MUH Apt-Garden 12,096 SF 0.18 Ac.	1911 12,096 SF 100% 12/17/2012	\$675,000.00 \$55.80 /SF .07%
	<b>Contact: -----</b>			

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31	 1901 East Superior St 1901 E Superior St Duluth --	MUH Apt-Walk Up 1,934 SF 0.10 Ac.	1894 1,934 SF -- 08/07/2013	\$249,000 \$128.75 /SF
	<b>Contact: -----</b>			
32	 Woodcrest Apartments 217 Virginia Ave NE --	MUH Apt-Mid/High 19,662 SF 1.00 Ac.	1984 19,662 SF 100% 10/24/2013	\$795,000 \$40.43 /SF 8.2%
	<b>Contact: -----</b>			
33	 1011 Westminster St 1011 Westminster St Northeast --	MUH Apt-Walk Up 8,208 SF --	-- 8,208 SF -- 11/27/2013	\$685,000 \$83.46 /SF \$0.00
	<b>Contact: -----</b>			

**Summary**

# Bldgs	33
Year Built Range	1894 - 2007
Bldg SF Range	1,934 - 122,238
Price/SF Range	

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Mike Crow

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One of the arguments, was that the building was not marketed as a single family home, I did not care what someone wanted to buy it for, but I listed it as what it was. For tax purposes it's listed as an apartment building, it's insured as an apartment building and it's licensed as a lodging house, if you were to see what it looks like on the inside after the renovation from the major fire in 1991 it looks like an apartment building. Another reason I had listed it as a rooming house or multifamily was that I would not have to displace the tenants that live there. At the time that I listed 2320 Colfax I did not even list the building next door that is over 2/3 of the land that the development needs to move forward, my original plan was to sell 2320 and remodel 2316 and move into it. It was only after I was approached about selling both properties for development that I agreed to sell both. The commissioner that said it was never listed, was mistaken, *in 2010* it was listed on Loopnet, Zillow, Craig's list, oodle and I had contacted at least 8 different real state company's in the area and gave them all the same opportunity to sell it as whatever they could, the only thing I had requested is that I wanted them to look for a potential buyer that could be vetted, because I did not want every curious person interrupting my tenants life's every other day, I think any rental property owner can understand that, and that I did not want a sign so that it did not make the tenants upset and move. In 2012 I listed it with Tom Dunn from Terra firma commercial, because He agreed with everything and assured me that he knew people that would have an interest in the property. I have also been accused of draining the property of its value over the years and not making any improvements, which is also untrue, over the years including the renovation after the fire in 1991 I have put \$250,000. Into the property, Doors, windows, siding, chimney, boiler, plumbing, wiring, kitchen and bathroom remodels some more than once, not to include regular upkeep. In 2010 shortly after having had a back surgery and my second open heart surgery, 11 months apart, I was desperate to sell because my financing was running out, and I had received a couple of hit on my credit due to medical bills, and was afraid I would not be able to get refinanced, so I listed the building for \$200,000 below appraised value and still could not sell it. Luckily the bank that I had been with for many years, Sunrise bank came through and I was able to get some short term financing. While I had it on the market I had at least 12 showings, mostly organizations that use this type of housing, without an offer. I have owned the property for almost 23 years; it has always had the correct R-6 zoning and has been inspected by the City of MPLS, for its historical value 2 times in the past and both times they said because of all of the changes it did not qualify for a historical designation. So I sold it for what I thought I had the right to. The HPC was used as a means to an end, and was not brought in for 8 months or until the old PTB could not stop the apartments from being built any other way. The delays have damaged every part of my life, family, finances and delayed a more serious back surgery

that I need, to be able and find out what I will be able to do the rest of my working life, If I can't sell the building, I can't afford the up to a year of recovery time without any income or someone to manage the property. None of the HPC commissioners looked at the interior of the property, and I don't know if any looked at the exterior other than pictures, and there is no way you can make an informed decision without. I have filed an appeal with the City council and hopefully they will be able to find the time in the next few weeks to look at the building for them self or at least some of them.