



**Title:** Status of District Financing – L&P Schaper Properties, Minnetrista

**Prepared by:** Name: Chuck Holtman, Smith Partners PLLP  
Phone: 612.278.1405  
Holtman@smithpartners.com

**Purpose:**

To report to the Minnehaha Creek Watershed District (MCWD) Board of Managers on delinquent status of payment on a promissory note issued to the MCWD in 2013 to finance MCWD sale of property to L&P Schaper Properties, and to obtain Board concurrence in a course of action.

**Background:**

In 2013, the MCWD conveyed to L&P Schaper Properties, LLC ("L&P"), a 5.42-acre parcel located at 6430 County Road 26, in the City of Minnetrista (the "Property") shown on Attachment A. As a part of the transaction, the MCWD retained a conservation easement on a part of the Property. The Property is depicted on the aerial photograph attached to this memorandum. The Property, together with an adjacent parcel, operates as an apple orchard, vineyard and regional amenity known as Minnetonka Orchards and Painter Creek Winery & Cidery. The adjacent parcel also contains the residence of the L&P principals, Lowell and Phyllis Schaper.

The sale price of the 5.42-acre parcel was \$415,568. The MCWD provided seller financing to L&P in the amount of \$316,008, secured by a mortgage on the Property and a personal guaranty from Lowell Schaper. The promissory note requires monthly payments of principal and interest over a period of 360 months.

In 2017, L&P contacted MCWD to ask that MCWD agree to subordinate its mortgage to a prospective bank refinancing that would allow L&P to further invest in the business. After substantial negotiations, the MCWD Board approved an agreement that included the requested subordination and adjusted repayment terms under the MCWD note. However, L&P then elected not to proceed with the agreement.

Until February 2020, L&P generally remained current in its payments on the note. Since then, it has made just a single monthly payment. There is a current default balance, and pursuant to the 30-year note, a substantial part of principal remains outstanding. Twenty-three years remain on the mortgage term. In addition to the MCWD mortgage, several bank mortgages, held by CorTrust Bank, are of record on the Property. The relationship of the MCWD and bank mortgages is an element of the MCWD's consideration.

The MCWD has delivered notices of default to L&P. Confirmation of receipt has been received, but the Schapers have not responded. There has been no communication between the MCWD and the Schapers since the single payment made in July 2020.

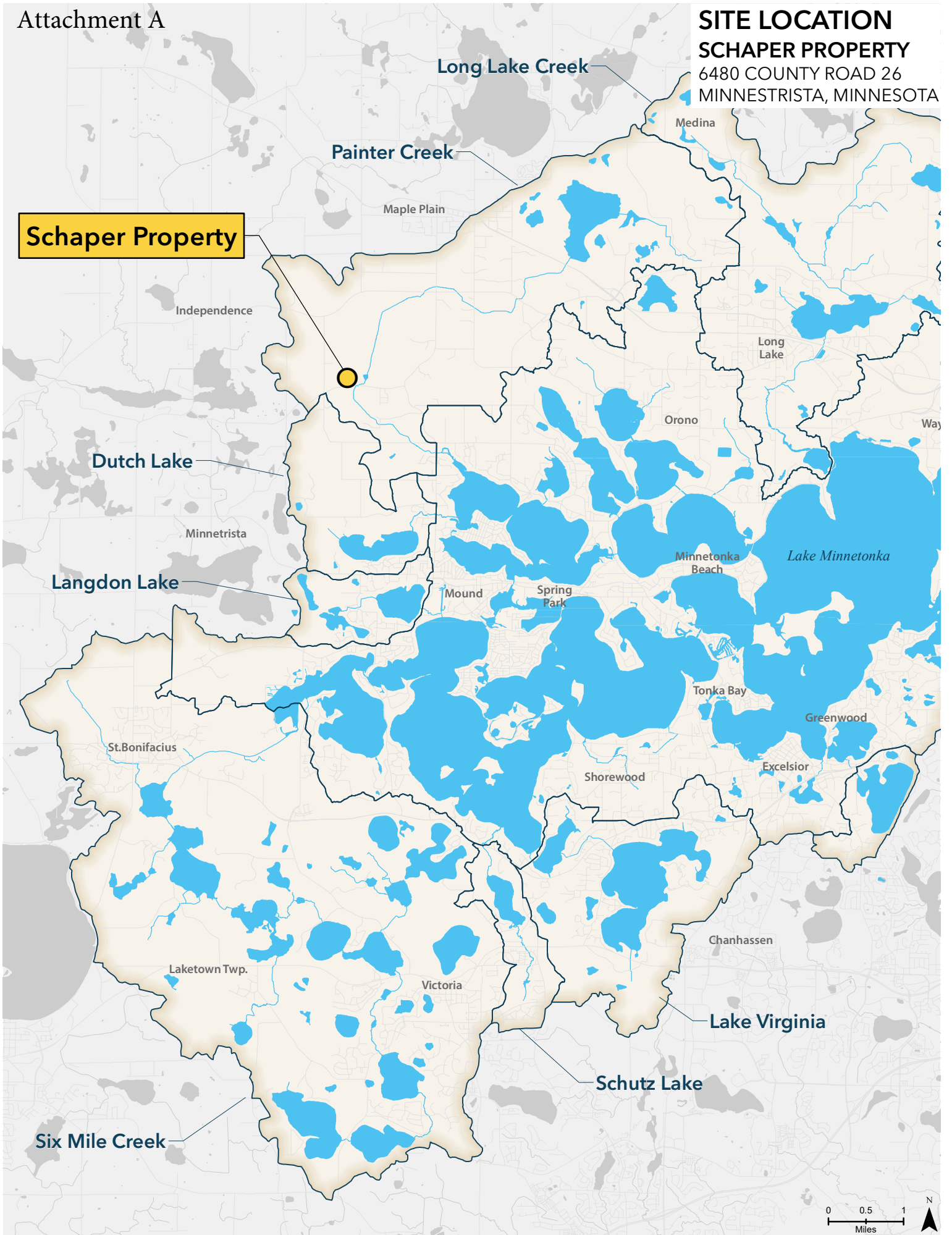
**Summary:**

The MCWD asked its real estate counsel, Tiana Towns and Alex Sellke of Dorsey & Whitney, to review options for the MCWD to protect its financial interest. In consultation with MCWD staff and general counsel, real estate counsel has prepared a memorandum outlining these options. On that basis, counsel and staff will suggest a course of action. The course of action to be suggested rests on three considerations: first, protecting and recovering the MCWD's public funds; second, as possible, engaging with the bank and the Schapers toward a cooperative outcome, both as an efficient means of resolution and to afford the Schapers the possibility of maintaining their business as a going concern; and third, following a path by which legal, appraisal and other process costs are incurred only as they become necessary.

**Suggested Motion:**

Manager \_\_\_\_\_ moves, seconded by Manager \_\_\_\_\_, to convene in closed session pursuant to attorney-client privilege, in order to confer with counsel as to legal options with respect to the delinquency on the MCWD note, and with the finding that confidentiality is necessary so that counsel may advise as to the strengths and weaknesses of the options.

**SITE LOCATION**  
**SCHAPER PROPERTY**  
6480 COUNTY ROAD 26  
MINNETRISTA, MINNESOTA



**Schaper Property**

Long Lake Creek

Painter Creek

Maple Plain

Medina

Independence

Dutch Lake

Minnetrista

Langdon Lake

Mound

Spring Park

Minnetonka Beach

Lake Minnetonka

St. Bonifacius

Tonka Bay

Greenwood

Shorewood

Excelsior

Laketown Twp.

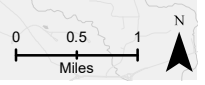
Victoria

Chanhasen

Lake Virginia

Schutz Lake

Six Mile Creek





**SITE MAP**  
**SCHAPER PROPERTY**  
6480 COUNTY ROAD 26  
MINNESTRISTA, MINNESOTA

- Legend**
-  Schaper Property
  -  MCWD Easement
  -  MCWD Property

