

Community Development Committee

Meeting date: December 21, 2015

For the Metropolitan Council meeting of January 13, 2016

Subject: Request for Park Acquisition Opportunity Fund Grant for Lake Waconia Regional Park (Coney Island) from Carver County

District(s), Member(s): 4 – Deb Barber

Policy/Legal Reference: MN Stats. §473.315 and 473.331

Staff Prepared/Presented: Deb Streets Jensen, Senior Parks Finance Planner 651-602-1554

Division/Department: Community Development / Regional Parks and Natural Resources

Proposed Action

That the Metropolitan Council:

1. Authorize a grant of up to \$1,050,000.00 to reimburse Carver County for acquisition of the 33.7-acre Coney Island for Lake Waconia Regional Park, financed from:
 - \$630,000 from the 2017 state fiscal year Minnesota Parks and Trails Fund appropriation, and
 - \$420,000 from Metropolitan Council bonds; and
2. Authorize the Community Development Director to sign the grant agreement and the restrictive covenant.

Background

Carver County has requested a grant of up to \$1,050,000 from the Park Acquisition Opportunity Fund (PAOF) for costs associated with the acquisition of a 33.7-acre property in Lake Waconia, known as Coney Island. The county's request letter is shown in Attachment 1. The property is currently owned by a private party, Hoffman Properties, LLC, which has been working with the Trust for Public Land to sell the island to the County. The property has been appraised at \$1,350,000.

Rationale

The County's grant request is consistent with the *2040 Regional Parks Policy Plan* (the Policy Plan) adopted February 11, 2015, which contains the rules for PAOF grants. The grant request qualifies for "reimbursement mode" according to the *Special Circumstances* section of the Policy Plan, which states: *If funds are not available to fully fund a grant during a given fiscal year, up to 60% of the next fiscal year's appropriation and matching Council bonds for Park Acquisition Opportunity Fund accounts will be used to reimburse park agencies for up to 75% of the grant-eligible acquisition costs or \$1.7 million – whichever is less – the park agency incurred to buy land that would have qualified for a Park Acquisition Opportunity Fund grant under the rules.* Acquisition requests through the Minnesota Parks and Trails Legacy Fund do not have any restrictions on the condition of lands within Council-approved master plan boundaries.

Funding

This grant would be funded from the 10% of the fiscal year 2017 Minnesota Parks & Trails Legacy Fund that is set aside for acquisitions, with a 40% match from Council bonds. These funds will be available on July 1, 2016.

Known Support / Opposition

On December 1, 2015 the Metropolitan Parks and Open Space Commission considered the business item and unanimously recommended that the Council adopt the proposed action. There were several questions regarding how the current property owner's planned donation of sale proceeds affected the transaction. Carver County Parks Director Martin Walsh explained that without the donation, the county would be unable to mitigate the island's currently unsafe conditions and move forward with development. There were also questions about the concerns raised by the Legislative-Citizens Commission on Minnesota Resources regarding this project, and what impact these concerns will have on future projects.

The Carver County Board supports the purchase, and there is no known opposition.

Metropolitan Parks and Open Space Commission

Meeting date: December 1, 2015

For the Community Development Committee meeting of December 21, 2015

For the Metropolitan Council meeting of January 13, 2016

Subject: Request for Park Acquisition Opportunity Fund Grant for Lake Waconia Regional Park (Coney Island) from Carver County

MPOSC District(s), Member(s): District B – Robert Moeller

Policy/Legal Reference: MN Stats. §473.315 and 473.331

Staff Prepared/Presented: Deb Streets Jensen, Senior Parks Finance Planner 651-602-1554

Division/Department: Community Development / Regional Parks and Natural Resources

Proposed Action

That the Metropolitan Council:

1. Contingent upon receipt of a second appraisal review acceptable to the Council, authorize a grant of up to \$1,050,000.00 to reimburse Carver County for acquisition of the 33.7-acre Coney Island for Lake Waconia Regional Park, financed from:
 - \$630,000 from the 2017 state fiscal year Minnesota Parks and Trails Fund appropriation, and
 - \$420,000 from Metropolitan Council bonds; and
2. Authorize the Community Development Director to sign the grant agreement and the restrictive covenant.

Background

Carver County has requested a grant of up to \$1,050,000 from the Park Acquisition Opportunity Fund (PAOF) for costs associated with the acquisition of a 33.7-acre property in Lake Waconia, known as Coney Island. The county's request letter is shown in Attachment 1.

Lake Waconia Regional Park is located along the southeast shore of Lake Waconia in Carver County. Coney Island, which was added to the Regional Park's boundary in November 2015, is located approximately one-half mile offshore. In 1976, Coney Island was placed on the National Register of Historic Places due to cabins, homes and a hotel once being located on the island. The structures are no longer standing, with only a few remnants remaining. Despite the significant human activity that has taken place on the island, a 2015 environmental site assessment did not reveal any hazardous conditions. The remnants of the structures do need to be removed before the island is safe for public enjoyment.

The property is currently owned by a private party, Hoffman Properties, LLC (Hoffman), which has been working with the Trust for Public Land (TPL) to sell the island to the County. The property has been appraised at \$1,350,000.

Hoffman has committed to a reduce price of \$1,000,000. The *2040 Regional Parks Policy Plan* allows for a park implementing agency to capture the value of land donated by the seller and credit it towards the agency’s local match for the purchase. In this case, the land donation via a reduced price will comprise the entire local match.

Hoffman has also committed to donating the proceeds from the \$1,000,000 purchase price: \$100,000 will be donated to TPL and \$900,000 to Carver County for development of the island.

This acquisition is listed on the 2014 approved Environment and Natural Resources Trust Fund (ENRTF) work plan, and the County’s original request proposed ENRTF funding. However, staff representing the Legislative-Citizen Commission on Minnesota Resources (LCCMR) were not comfortable with the intended donations. LCCMR staff also had concerns about whether the appraisal and appraisal review were done with sufficient disinterest, since both were commissioned by TPL. After much discussion with LCCMR staff, Council staff determined that the purchase was not a good fit for ENRTF funds. The project will be removed from the approved 2014 ENRTF work plan through an amendment in January 2016.

The Council has since undertaken a second appraisal review to confirm the stated value of the land. Staff in the Council’s real estate office expect the results of the second review to be available by December 1, 2015. The Council’s Finance staff investigated the impact of the donations through bond counsel, who advised that the donations would not affect the Council bonds’ tax exempt status.

Table 1 - Project expenses

| Item | Eligible expenses | Request |
|-----------------------------|-------------------|-------------|
| Property acquisition | \$1,350,000 | \$1,000,000 |
| Estimated closing costs | 6,000 | 4,500 |
| Tax equivalent payment | 171 | 128 |
| Site access (boarding dock) | 20,000 | 15,000 |
| Stewardship | 40,496 | 30,372 |
| Total | \$1,416,667 | \$1,050,000 |

A restrictive covenant must be recorded by the County to ensure the property remains in regional recreation use in perpetuity.

Carver County’s request also includes approval of consideration of future reimbursement for the balance of the stewardship costs. That portion of the request is handled in a separate business item.

Rationale

Carver County’s request is consistent with the *2040 Regional Parks Policy Plan*, which contains the rules for PAOF grant requests. Additionally, the property under consideration has been amended into the Lake Waconia Regional Park boundary.

Funding

Each year, 10% of the Minnesota Park & Trails Legacy Fund (Legacy) appropriation is set aside for acquisitions. The *2040 Regional Parks Policy Plan* requires that an acquisition be fully funded out of a single appropriation; i.e., PAOF grants are not split across appropriations. If a grant request cannot be met given the available balance in the PAOF, the full grant amount is shifted to the next appropriation when it can be fully funded. When this happens, PAOF grants are said to be in “reimbursement mode.” The fiscal year 2016 Legacy appropriation cannot fully fund this request, and PAOF grants are now in reimbursement mode.



For state fiscal year 2017, the appropriation amount will be \$1.8 million. The Council matches that amount in a 60/40 split, for a total of \$2.9 million. The 2017 appropriation will fully fund the grant request of \$1,050,000. No grant funds are disbursed, however, until after the appropriation is formally made – in this case, after July 1, 2016.

The Council accepts PAOF grant requests on a first-come, first-served basis. The Council awarded two reimbursement-mode grants in October that occupy positions superior to this request for the state fiscal year 2017 PAOF funds. The balance in the 2017 Legacy/Council reimbursement mode after this grant will be \$167,541. Subsequent Legacy/Council reimbursement-mode grant requests that exceed the available balance will be shifted to the first appropriation beyond 2017 in which the request could be fully funded. Table 2 details the reimbursement mode balance for fiscal year 2017.

Table 2 - PAOF Legacy FY 2017 Reimbursement Mode Balance

| | |
|--------------------------------------------------------------------------------------|------------------|
| 2017 Legacy Acquisition appropriation | \$1,806,700 |
| Council bond match | 1,204,467 |
| Total available – 2017 Legacy Acquisitions | 3,011,167 |
| 60% available while in ‘reimbursement mode’ | 1,806,700 |
| Washington County – Lake Elmo Regional Park (Item #2015-247) | -194,479 |
| Minneapolis Park & Recreation Board – Above the Falls Regional Park (Item #2015-248) | -394,680 |
| Carver County – Lake Waconia Regional Park/Coney Island | -1,050,000 |
| Balance of 2017 Legacy/Council reimbursement mode funds | \$167,541 |

Assuming Council approval of this item, Carver County may close on the property after the date of Council approval. The Council will not enter into a grant agreement for this purpose, however, until after the appropriation is made. Reimbursement will not be considered until the grant agreement has been fully executed.

Known Support / Opposition

The Carver County Board supports the purchase, and there is no known opposition.