

Transportation Committee

For the Metropolitan Council meeting of June 25, 2014

Subject: Right-of-Way Acquisition Loan Fund (RALF) 2014 Annual Program Review

Proposed Action

That the Metropolitan Council approve this annual 2014 RALF program review, including the recommendation that no tax levy is required in 2015 to replenish the RALF fund balance.

Summary of Committee Discussion/Questions

Metropolitan Transportation Services Manager Systems Planning Connie Kozlak presented this item. There were no questions from committee members.

Motion by Elkins, seconded by McCarthy and passed. Hearing no objection, Vice Chair Schreiber stated that this item could proceed to the full Council as a consent item.

Transportation Committee

Meeting date: June 9, 2014

For the Metropolitan Council meeting of June 25, 2014

Subject: Right-of-Way Acquisition Loan Fund (RALF) 2014 Annual Program Review

District(s), Member(s): All

Policy/Legal Reference: MN Stat. 473, 167, Subd 2, Loans for acquisition

Staff Prepared/Presented: Arlene McCarthy, Director, 651-602-1754, Amy Vennewitz, Dep. Director, Finance and Planning 651-602-1058, Connie Kozlak, Manager, Systems Planning 651-602-1720

Division/Department: Transportation / Metropolitan Transportation Services

Proposed Action

That the Metropolitan Council approve this annual 2014 RALF program review, including the recommendation that no tax levy is required in 2015 to replenish the RALF fund balance.

Background

The RALF program was set up in state law in 1982 to enable the Council to make loans to cities to purchase needed highway right-of-way in advance of roadway development. The program was originally funded through a Council property tax levy. The fund is sustained through loan repayments as well as an annual property tax levied if the Council determines that the fund balance is not anticipated to be sufficient to meet expected loan requests in any given year. The Council did not levy for RALF in 2014.

After operating for 30 years, the program was recently evaluated to assess its financial effectiveness, ensure that loans being made are consistent with the Transportation Policy Plan (TPP), and determine what changes, if any, should be made to the program. An additional consideration was that the nature of highway construction has changed since 1982, since all but one of the region's major highways have been completed and the need for advanced acquisition of right-of-way has narrowed primarily to land needed for reconstruction projects and new interchange construction.

On March 26, 2014 the Council determined that the RALF program has been beneficial and merits continuation, but instituted the following program modifications for future loans:

- The Council will consider and approve individual RALF loan requests on a case-by-case basis to ensure consistency with the Transportation Policy Plan (TPP) and to determine policy and priority implications.
- RALF loans will be granted only for rights-of-way threatened by development or hardship acquisitions.
- An annual review will be prepared to assess the program's status, anticipate its financial needs, recommend a levy amount for the next annual budget and address any related matters.

This business item constitutes that annual review for 2014.

Rationale

The status of the RALF program is virtually unchanged since the Council action in March, 2014, as there have been no additional loans or repayments since then. The current fund balance is nearly \$11 million. About \$1 million of outstanding loan payments are anticipated to be received in 2015 from the city of Maple Grove, as MnDOT anticipates buying some of the parcels needed for TH 610 from the city by the end of 2014. Further

land transfers and timing of loan repayments for TH 610 beyond 2015 will be determined later as the designs for TH 610 progresses.

The only pending inquiry for a RALF loan is from the city of Richfield. The city requested a loan to purchase five parcels, with a Hennepin County market value of about \$5.7 million, for construction of the 77th Street underpass at TH 77. However, it is now uncertain whether a RALF loan will be necessary, due to recent legislative action naming this project as eligible for a grant from a \$24 million local road improvement appropriation. If it is determined that any RALF loans for the Richfield project are still needed, the projected RALF fund balance of \$12 million (\$11 million plus \$1 million loan repayment) should be sufficient.

Staff is unaware of any other anticipated RALF requests in the near future.

Funding

The current fund balance of nearly \$11 million along with the \$1 million TH 610 loan repayment anticipated within the next 12 months indicate a RALF levy to increase the fund balance unnecessary in 2015. Staff recommends no RALF levy in 2015.

Known Support / Opposition

No known opposition.