Business Item No. 2013-188

Transportation Committee

Meeting date: July 8, 2013

For the Metropolitan Council meeting of July 24, 2013

Subject: Reinstate the Right-of-Way Acquisition Loan Fund (RALF) Program with modifications.

District(s), Member(s): All

Policy/Legal Reference: Mn. Statute 473.167 Highway Projects. Subd. 2 Loans for acquisition.

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Division/Department: Metropolitan Transportation Services (MTS)

Proposed Action

That the Metropolitan Council reinstate its RALF program and modify it to:

- Consider and exercise approval over individual RALF loan requests, doing so on a case-by-case basis to ensure consistency with the Transportation Policy Plan (TPP) and to determine policy and priority implications.
- Limit RALF loan requests to rights-of-way threatened by development or to hardship acquisitions.
- Require an annual review that assesses the program's status, anticipates its financial needs, recommends a levy amount for the next annual budget and addresses related matters.

In addition the Council will:

- Not pursue legislative changes to expand the existing RALF program to include "A" Minor Arterials and other county roads that are not trunk highways or principal arterials.
- Investigate the feasibility of restructuring the RALF program to include early acquisition of property needed for transit projects and/or transit-oriented development (TOD).
- Work with MnDOT to establish priorities for interchange projects that will provide guidance on the use of RALF funding.
- Review, modify and update the RALF program and process guidelines to incorporate program modifications.

Background

In 2010 the Council suspended its 30-year old RALF program to assess its financial effectiveness, ensure that loans being made are consistent with the TPP, and determine what changes, if any, should be made to the program.

Rationale

A financial evaluation of the program and input from a group of RALF stakeholders concluded that the RALF program has been beneficial for both MnDOT and the communities by assisting in highway program delivery in a cost-effective manner and providing a means to acquire properties facing hardship situations. In general, the program has accomplished what it was originally intended to do.

Staff recommends that the RALF loan program resume with modifications to ensure that each loan request is consistent with regional transportation policies, and that loans are limited to hardship cases or parcels likely to develop or redevelop. Except for the remaining section of TH 610 in Maple Grove, the region's major highways have been completed and the need for advanced acquisition of right-of-way has narrowed primarily to interchange construction and reconstruction projects. For this reason it is recommended that the Council work with MnDOT to establish priorities to guide the use of RALF for interchange projects.

It is also recommended that the Council investigate the demand for and feasibility of expanding the RALF program to acquire land needed for transit and TOD projects. Expanding the RALF program to include acquisition of property for transit and TOD projects would require a legislative change to MN 473.167, Subd. 2.

Funding

A full, annual RALF level generates about $3.6 million. The available balance in the RALF account is approximately $8 million. The RALF Program Assessment does not recommend any funding changes to the RALF program.

Known Support / Opposition

There is no known opposition.

Assessment of the Right-of-Way Acquisition Loan Fund and Recommendations

Executive Summary

Findings

In 2010 the Council suspended its 30-year-old Right-of-Way Acquisition Loan Fund (RALF) program to evaluate its effectiveness and determine what changes, if any, should be made in the program. Potential options included continuing the program as it currently operates or restructuring it to reflect changes in demand for loans, funding levels, and current plans and programs for highway expansions and improvements.

An analysis of the financial effectiveness of the program and input from a group of RALF stakeholders have demonstrated that the RALF program has been beneficial for both MnDOT and the communities by assisting in highway program delivery in a cost-effective manner.

Recommendations

That the RALF program be reinstated with the following program modifications:

1. The Council will consider and exercise approval over individual RALF loan requests, doing so on a case-by-case basis to ensure consistency with the Transportation Policy Plan and to determine policy and priority implications.
2. RALF loan requests should be limited to rights-of-way threatened by development or to hardship acquisitions.
3. The Transportation Committee will receive an annual staff review of the RALF program that assesses its status, anticipates financial needs, recommends a levy amount for the next annual budget, and addresses related matters.

In addition:

4. Legislative changes should not be pursued to expand the existing RALF program to include “A” Minor Arterials and other county roads that are not trunk highways or principal arterials.
5. The Council should further investigate the feasibility of restructuring the RALF program to include early acquisition of right-of-way for transit projects and/or transit-oriented development (TOD) parcels.
6. The Council will work with MnDOT to establish priorities for interchange projects and will subsequently provide guidance on the use of RALF funding.

7. The guidelines and process for the RALF program will be reviewed, modified and updated to reflect the adopted program changes.

Background

Purpose of the RALF Program

The state legislature authorized the RALF program in 1982, allowing the Metropolitan Council to levy a regional property tax to be used for advanced acquisition of certain highway rights-of-way. (Text of statute in Appendix 1, Minn. Stat. 473.167.) At that time, there were several metropolitan highways planned for new alignments, such as TH 169 (known as the “Shakopee Bypass”), TH 212 west of I-494, and TH 610.

Because MnDOT is prohibited under state law from purchasing right-of-way until shortly before actual highway construction is programmed, many cities and townships adopted official maps, under Minn. Stat. 394.361 and 462.359, to preserve the right-of-way for these potential future controlled-access highways. However, if a building permit is requested for a property within the officially mapped right-of-way, the city must issue the permit or purchase the property.

The original intent of the RALF law was to make funds available to municipalities (counties, cities, and townships) to purchase these officially mapped rights-of-way before parcels are developed. Over the years, the legislature broadened the program to allow purchase of other properties before their value escalates. The goal has been to save money, over the long-term, through early acquisition of these parcels.

In addition to preserving right-of-way for future highway projects, there are qualitative benefits of early acquisition of right-of-way parcels through the RALF program. It offers an option to owners who need to sell but cannot find a buyer because their property is located in a proposed highway corridor (hardship situation). It also takes advantage of willing-seller opportunities, avoiding a potentially adversarial and expensive condemnation process.

Use of RALF Funds

The funds from the RALF program are used by the Council to make loans to municipalities to acquire developed and undeveloped parcels of right-of-way for initial construction or expansion of officially mapped state trunk highways or other principal arterials. Loans include the price of the parcel and any costs incurred by the city to acquire the parcels. Relocation benefits are payable only to homeowners for hardship acquisitions.

Loans are made on a first-come-first-served basis to municipalities, which are then used to purchase property from willing sellers. The transactions occur independently of the actual acquisition and construction schedules developed by the constructing agency. The municipalities hold title to the property until the highway-constructing authority, typically MnDOT, acquires the right-of-way at the original purchase price before starting construction. Proceeds from the sale of the parcels to

MnDOT are then repaid by the city to the RALF fund, increasing the fund balance available for new loans.

Loan Guidelines and Review Process

Although the law is fairly specific regarding loan eligibility, the Council has adopted guidelines and a process for considering loan applications and granting loan approval. Initially, each RALF loan request was reviewed for consistency with the eligibility requirements and procedures and then approved by the Council.

In 1995, revisions to the Council's grant and loan policy directed loan managers to prepare an annual RALF Program Plan that summarized the previous year's loan activity and a plan for the subsequent year's expected activity, including a list of eligible highway segments. The Council's annual adoption of this plan allowed staff to process and execute RALF loan requests for any highway projects contained in the Program Plan if all loan eligibility guidelines were met, eliminating the need for formal Council approval of individual RALF loan requests.

Revenue for RALF

The RALF loan fund has two sources of revenue – repaid loans and a property tax levied by the Council in accordance with provisions in Mn. Stat. 473.167 (Appendix 1). Although the statutory levy formula has varied over the years, the current statute set a maximum of $2,828,379 for taxes payable in 2005, with a multiplier formula for subsequent years. The actual levy certified by the Council each year depends on the demand for loans and the amount of funds that are available for new loans, including any loan repayments anticipated.

Between 2010 and 2012, the annual RALF levy generated about $3.6 million. Over the entire life of the program, the annual RALF levies have yielded nearly $58 million, providing more than 15 municipalities with over $67 million in loans for advanced property acquisitions, when loan repayments are included. (Annual RALF levies are shown in Appendix 2.)

Repaid and Outstanding Loans

Of the 113 loans issued, 55 loans, totaling $21 million, have been repaid. The current balance of outstanding loans is approximately $46 million and the current balance available to lend is approximately $8 million. (See Appendix 3 for schedule of all loan activity.)

The majority of the loans repaid to date were originally made to acquire right-of-way parcels for several large-scale trunk highway projects: TH 212 (Eden Prairie, Chanhassen and Chaska), TH 610 (Brooklyn Park and Maple Grove), and TH 169 (Shakopee). Outstanding loans remain with the cities of Anoka, Belle Plaine, Blaine, Bloomington, Chaska, Lakeville, Maple Grove, Ramsey, Richfield, Shoreview and Anoka County. With the exception of Maple Grove's loans for TH 610, none of these outstanding loans are expected to be repaid in the near future.

In some cases, this is because parcels were acquired for major expansion projects--such as TH 10 in the cities of Ramsey and Anoka--that have never been in the Council's Transportation Policy Plan, and for other major expansion projects, such as I-35W in Bloomington and I-494 in Richfield, that have been removed from the plan or redesigned. In other cases, the projects are long term and awaiting funding to proceed. For example, TH 610 will have a repayment period of 20 years or more because some parcels were acquired in the 1980s, and the final extension to I-94 remains to be completed.

RALF Program Assessment

In June 2010, the Council suspended the RALF program so it could evaluate the program's financial efficiency over the past 30 years, determine its future viability and make recommendations for continued management of the program.

RALF Task Force

To assist with the evaluation, a RALF Assessment Task Force − composed of a cross section of Council, MnDOT, county and city stakeholders with past involvement in the RALF program − met twice to discuss the program's structure, implementation and results, as well as suggest potential program changes.

The consensus of the Task Force was that the RALF program has been extremely beneficial for both MnDOT and the communities by expediting highway program delivery and that it should continue but may need some fine-tuning. The Task Force also suggested that a financial consultant be hired to examine whether the program did in fact save money through early acquisition.

Financial Evaluation Findings

The consulting firm ProSource Technologies, LLC, was hired to determine if advanced acquisition of highway rights-of-way through the RALF revolving loan fund had saved money over time. The ProSource report (Appendix 4) contains four major findings regarding the value of the program:

1. Repaid RALF loans show a net savings of nearly $17 million. Parcels purchased between the 1980s and early 1990s and since repaid have shown the largest savings due to the appreciation in value of metro area real estate during those years.

2. Outstanding RALF loans currently show a loss in value of $10.7 million, due to the decline in the real estate market since 2007. It will not be evident whether or not the early acquisition of these properties saved money until the value of the property at the time the loans are repaid is known.

3. The location of the highway project and the likelihood of near-term development or redevelopment near right-of-way ("transitional land") can make a significant difference in the amount of savings realized through advanced right-of-way acquisition. Identifying these locations in coordination with local city or county planning departments can help target RALF acquisitions for optimum benefit. Wherever possible, undeveloped right-of-way, or right-of-way that is likely to be redeveloped, should be a priority for acquisition.

4. Although there was a net gain of about $17 million through the RALF program, it should be acknowledged that properties purchased with RALF loans become tax exempt. Consequently, the overall $17 million in savings accrued to MnDOT is partially offset by calculated revenue that was potentially foregone by the cities, estimated to be $4.34 million.

Program Assessment

While the ProSource study focused on an evaluation of the financial efficacy of the RALF program, other questions related to the program were raised by Task Force members and others.

1. **Should RALF loans be made only to advance improvements that are consistent with the regional Transportation Policy Plan (TPP)?**

   The statute allows RALF loans for any state trunk highway (as well as county-owned principal arterials) regardless of the highway improvement priorities identified in the region's long-range TPP. For the program's first 20 years or so, loan requests were primarily for right-of-way within major new highway corridors such as TH 169, TH 212, TH 610, all of which were in the TPP. Now that TH 169 and TH 212 have been completed, along with much of TH 610, current RALF loans are often made for property needed to expand or improve existing roads and interchanges.

   In addition, a number of major highway expansion projects formerly in the fiscally-constrained programming within the TPP are no longer included in the plan, such as I-35W in Bloomington and I-494 in Richfield. In light of the very high cost of those projects, existing funding levels and reasonable potential funding increases, those projects have been reassessed resulting in smaller scale projects now included in the unfunded vision of the TPP. Limited funds are expected to be available for future highway expansion

   Other recent RALF loans were for projects that were identified through various corridor or feasibility studies but have never been specifically identified as regional priorities in the TPP, such as TH 10 in Ramsey and Anoka and several interchange improvements throughout the metro area.

   Although interchange projects are not specifically identified in the TPP, RALF loans may be used to acquire eligible right-of-way parcels needed to expand and/or reconstruct existing interchanges, to add an interchange to an existing freeway, or to convert intersections to interchanges. These acquisitions are eligible for RALF funding because they involve a trunk highway. The Council will work with MnDOT to establish priorities for interchange projects and will subsequently provide guidance on the use of RALF funding.

   RALF loan requests should be more consistent with or supportive of the TPP, even though a request may be eligible for a loan because the parcel lies within an officially mapped state trunk highway. Consistency between RALF acquisitions and the specific project priorities of the region's long-range Transportation Policy Plan would help ensure that the RALF program supports agreed-upon priorities that benefit the region.

Limiting RALF loans only to projects identified in the TPP, both the fiscally constrained plan and the unfunded vision components, rather than awarding them to any eligible parcel under the statute would also increase the likelihood that the loans would be repaid within a foreseeable time period, allowing the funds to revolve to new loans. Except for the extension of TH 610, the current TPP does not identify any major highway projects that are likely to need additional right-of-way on new alignment.

Since some RALF loan requests could be more consistent with or supportive of the TPP than others, reviewing each loan request individually would enable the Council to make that determination.

2. Should quantitative and qualitative criteria for evaluating loan requests be developed?

Prioritizing RALF loan applications is difficult because the timing and number of the requests is often based on reacting to proposed development or the hardship needs of the property owner and the particular property. Task Force members suggested developing, at a minimum, "qualifying" criteria, such as whether or not the project is included in a local comprehensive plan, an environmental assessment has been approved for the project, a layout has been developed, evidence of local commitment to the project exists, and whether the land is vacant/underutilized or "developed." If it appears that available funding will be inadequate, Council staff will make a prioritization recommendation.

One Task Force member suggested that the designation of a road in the comprehensive plan and preliminary design work should be adequate for determining right-of-way needs and that the requirement that the right-of-way must be designated on an official map should be eliminated because it is difficult, time-consuming and causes inflation of land values.

However, the requirement that the right-of-way be officially mapped is defined in the statute: "The Council may make loans to counties, towns, and statutory and home rule charter cities within the metropolitan area for the purchase of property within the right-of-way of a state trunk highway shown on an official map adopted pursuant to section 394.361 or 462.359 or for the purchase of property within the proposed right-of-way of a principal or intermediate arterial highway designated by the Council as a part of the metropolitan highway system pursuant to section 473.166." This section requires that the Council give "controlled access approval" of a highway project, which provides an optional path for those seeking RALF loans who do not wish to do an official map.

Official mapping is needed to define the right-of-way limits of the highway. It also demonstrates city support and local awareness of a future project. None of the RALF loan recipients to date have objected to the official mapping requirement, and eliminating the official map language would require a change in the state statute.

3. **Should advanced acquisition be limited to parcels demonstrably threatened by development (returning to the original statutory language) and hardship situations?**

   Because eminent domain is not allowed as part of the RALF acquisition process, RALF is able to capitalize only on willing-seller-willing-buyer opportunities, benefitting both property owners and municipalities. In the early years of the RALF program, the loan applicants had to show that the property needed for future highway construction was threatened by development. This limited acquisitions to undeveloped land or to hardship situations (homesteaded properties).

   Owners of undeveloped land had to show that development proposals had been approved that would convert the land to other uses. Homeowners were required to show that they were unable to sell their homes because of the planned highway project. The hardship provision of the law allows for relocation benefits for the homeowners but not for non-residential properties.

   In the mid-1990s, the RALF statute was amended to "take advantage of open market opportunities when developed properties become available for sale, provided all parties involved are agreeable to the sale and funds are available." This expansion of the law allowed acquisition of essentially any property within the officially mapped corridor, and since then it has allowed the acquisition of some developed commercial properties, even though relocation benefits were not funded through RALF.

   The greatest financial benefits of RALF derive from acquiring properties that are at risk of being developed. The use of RALF funds should be protected for priority needs and avoid being used to provide local benefits, such as reduced access and safety improvements, that fall outside the core purpose of the RALF program.

4. **Are the city's "stewardship" costs (for example, rent and maintenance) of owning a RALF parcel manageable?**

   The consensus of the Task Force members with experience in overseeing RALF properties is that the costs are manageable and there is sufficient leeway allowed by the Council in managing the properties. A few cities have raised the question about the tax revenue forgone by converting the city-purchased land to tax-exempt status. However, this does not seem to be a major issue because the future road's benefit to the city outweighs that consideration. Municipalities should consider both property management and tax-exempt status impacts prior to requesting a parcel be acquired through the RALF program.

5. **How and when should loans be repaid if the acquired property is no longer needed for highway purposes? What triggers a sell-off of acquired parcels and who makes the decision?**

   According to the RALF law, "upon notification by the Council that the plan to construct the highway has been abandoned or the anticipated location of the highway changed, the property is to be sold at market value. . ." The law provides that the Council will make the decision to do so after consulting with MnDOT and the local entity.

In the history of the RALF program only one parcel has been sold because "the anticipated location of the highway changed." After a change in the design for reconstructing the interchange at I-494 and Valley Creek Road in Woodbury, a small parcel on the south side of Valley Creek Road was not needed and was sold after construction of the interchange.

Such situations are rare, and it is often not as obvious whether a property should continue to be held or not. However, proper management of the RALF program calls for periodic review of outstanding loans to determine whether any properties previously acquired should be sold and the RALF account reimbursed. For instance, the design for reconstructing the I-494/I-35W interchange is currently being re-examined, and it is possible that parcels acquired within the I-494/I-35W interchange area in Bloomington for the previous design may no longer be needed. While the decision to "abandon or change the anticipated highway location" rests with MnDOT, according to the law the Council would make the determination whether the land should be sold after consultation with MnDOT. Actual disposition of the property and repayment of the loans would occur in accordance with the loan agreement between the Council and the city.

6. Should the annual RALF levy amount be increased?

Several Task Force members asked if the Council could increase the RALF levy. The question was not based on any estimated additional needs but on the concern that, absent any major loan paybacks, just one or two of the most recent loan requests to complete TH 610 could exceed the available balance of the RALF program, thus limiting the number of loans that could be made in a given year.

The maximum amount that the Council may levy in a year for the RALF loan program is set by state statute. In setting the RALF levy each year, the Council considers the demand for loans, the available balance in the RALF fund, and the RALF levy amount in the context of the Council's total levy for all purposes. During the RALF program's history, there have been six years when the Council did not levy at all for the RALF fund and several years when it levied for less than the maximum amount. These were years in which the available fund balance exceeded its limitations because of sizeable loan repayments and/or fewer-than-expected loan requests.

Due to the "willing seller" nature of the program, it is very difficult to anticipate the timing, number and dollar amount of future loan requests. Consequently, loan requests have always been considered on a first-come-first-served basis. Since inception of the program, no loan request has ever been denied or delayed due to lack of funds. It is possible that a single loan request could deplete the available balance of the fund, in which case other requests would be delayed until the fund was either replenished with new levies or outstanding loans are repaid.

At this time, the only expected repayment with a likely date will occur with the completion of TH 610 by the year 2020. There are no expected repayment dates for the remaining loans. However, unless the RALF program is expanded, there is no compelling reason for an increase in the Council's levy amount at this time.

7. Should the loan program be expanded beyond trunk highways and principal arterials to include acquisition of rights-of-way for other county roads?

Under the current law, RALF loans can be made only for acquisition of approved principal arterials (which may be under state or county jurisdiction) or state trunk highways (which are often principal arterials but may be "A" minor arterials).

Many of the counties have plans for expanding their "A" minor arterial road networks and have identified potential right-of-way needs for these roads. Some Task Force members suggested expanding the RALF program to acquire right-of-way needed for "A" minor arterials which are not trunk highways. This expansion of the loan program would require a change to the RALF statute.

Because the principal arterial system is now virtually complete in the near term, the need to preserve right-of-way for future highways is greatly reduced from what it was in the early 1980s. However, there are some county roads, such as CR 17 and CR 42 in Scott County and CR 22 in Anoka County, that have been identified as potential principal arterials but are not currently shown as principal arterials in the TPP. Addition of these future county principal arterials on the metropolitan highway system would make them eligible for RALF loans under the existing statute. While potential principal arterials in the developing areas will be eligible to use the RALF program, the needs and timing will be dependent on long-term regional growth forecasts.

Unlike trunk highways and principal arterials, the Council has no planning authority with county roads. While it could be argued that acquisition of right-of-way for "A" Minor Arterials, a functional classification which supports the Principal Arterials, would be consistent with the TPP, it could significantly expand the demand for the program. The mileage of "A" minor arterials is significantly larger than that of the principal arterial system and the need for new rights-of-way are much greater.

Because MnDOT is not able to buy right-of-way before a highway project is actually programmed, the RALF law enables municipalities to purchase the right-of-way on MnDOT's behalf. In constructing their roads, the counties do not face this restriction and could purchase right-of-way whenever they choose or can do so. Given that the county is the owner of the road including the right-of-way and ultimately responsible for funding the project, the county would, in the end, pay itself to in turn repay the Council. It is unclear when or how the county would pay back such a loan. The Council would essentially be giving the county a regional loan for its own project. Therefore, the benefits of a Council RALF loan for roads owned by the counties are uncertain. A legislative change would also be necessary for county-owned roads to use RALF.

Rather than involving the Council in a project to be owned and funded by a county and using a regional funding source for a local project, the ProSource report provides justification for counties to promote advance ROW acquisition for their own projects with their own funding.

8. Should the loan program be expanded beyond trunk highways and principal arterials to include acquisition of transit right-of-way?

It was suggested that the RALF statute be changed to allow for acquisition of parcels needed for transit projects, such as park-and-ride sites, arterial bus corridors, and possibly transitways, although most planned transitways are proposed within public roads or existing rail rights-of-way that are owned by Regional Railroad Authorities.

The Federal Transit Administration does not allow purchase of transit right-of-way in advance of a completed environmental impact statement. The concern is that advanced property acquisition could prejudice the process established by the National Environmental Policy Act (NEPA). The Council adheres to this policy and does not enter into property acquisition or property negotiations until completion of the applicable federal environmental process. Similarly, adequate completion of the environmental process is necessary for parcels acquired for highway projects with FHWA oversight.

The Council should analyze the potential demand for transit right-of-way. The analysis should consider other existing revenue sources for purchasing transitway right-of-way, including the county Regional Railroad Authorities, which have used property taxing authority to acquire many rail corridors for transit purposes over the last few decades. Because these costs have not been reimbursed or considered a project cost from the federal perspective, this approach has benefited the region's projects in being more cost-competitive in the New Starts program. The more recently established sales tax receipts distributed by the Counties Transit Improvement Board (CTIB) is another funding source that could be used for advanced acquisition. As part of analysis, the Council could determine which past transit acquisitions could have used a program similar to RALF.

Because the Council would typically be the ultimate land owner, the process for determining loan applicant and repayment would need to be developed. Consultation with the FTA would also be important given the Council's dual role as advance purchaser and ultimate owner.

Expansion of the RALF program or creation of a separate program for transit would require legislative action, and it should be further investigated for needs and feasibility before legislation is pursued.

9. Should the loan program be expanded beyond trunk highways and principal arterials to include acquisition of transit-oriented development (TOD) parcels?

Potential owners of TOD parcels include developers and public entities such as cities, counties and the Council. The ownership arrangement can include public ownership with a long-term lease to a private or public user. The timing and funding sources for TOD projects can be significantly more complicated than for a transportation project in addition to the variability in project scopes and evaluating the need and benefit.

The Council is currently developing its Regional TOD Strategy to determine its role in advancing TOD in the metro area. Council TOD policies will be developed to facilitate implementing the strategies; modifying the RALF program for TOD should be considered by Council within the larger context of its TOD strategies and policies. The Council could also consider other new or existing funding sources for advance TOD parcel acquisition. For example, the Council's Livable Communities Act (LCA) TOD program already allows grant fund funds to be used for land acquisition to be held for future development. However, LCA funding to support TOD is limited at this time. Regardless of any specific approach, legislative action will be required to modify the existing program or create a new RALF-like program for TOD.

Recommendations

That the RALF program be reinstated with the following program modifications:

1. The Council will consider and exercise approval over all RALF loan requests, doing so on a case-by-case basis to ensure consistency with the Transportation Policy Plan and to determine policy and priority implications.

   The current process entails granting administrative approval to any request that meets eligibility guidelines and is included in the annual RALF Program Plan. Changing this process from an administrative decision to a Council action would improve transparency in decision-making and provide the Council an opportunity to review loan requests based on:

   - consistency with the Transportation Policy Plan
   - status of environmental review work so that early acquisitions do not prejudice project decisions
   - official mapping
   - local support and commitment
   - whether a parcel acquisition is a priority due to either a hardship situation or an anticipated financial benefit because of an imminent risk of development or redevelopment
   - priority in funding requests if anticipated near-term demand exceeds anticipated funding

2. RALF loan requests should be limited to rights-of-way threatened by development or redevelopment or to hardship acquisitions.

   The greatest financial benefits of RALF derive from acquiring properties that are at risk of being developed, so the use of RALF funds should be protected for these priority needs.

3. The Transportation Committee will receive an annual staff review of the RALF program that assesses its status, anticipates financial needs, recommends a levy amount for the next annual budget, and addresses related matters.

The annual program review will (1) consider fund balance and outstanding loans, (2) anticipate potential future loan requests, (3) review outstanding loans, consulting with MnDOT and local entity, to determine if the parcels should be sold and the RALF account paid back, and (4) provide a preliminary recommendation for a RALF levy amount for the subsequent annual budget.

In addition:

4. Legislative changes should not be pursued to expand the existing RALF program to include “A” Minor Arterials and other county roads that are not trunk highways or principal arterials.
5. The Council should further investigate the feasibility of restructuring the RALF program to include acquisition of right-of-way for transit projects and/or transit-oriented development (TOD) parcels.
6. The Council will work with MnDOT to establish priorities for interchange projects and will subsequently provide guidance on the use of RALF funding.
7. The guidelines and process for the RALF program will be reviewed, modified and updated to reflect the adopted program changes.

Appendices

1. RALF statute (Mn. 473.167)
2. RALF Levy by Year
3. Schedule of RALF Loans
4. ProSource Financial Evaluation

Appendix 1

RALF Law
Mn. Statute 473.167

473.167 HIGHWAY PROJECTS.

Subdivision 1. MS 1994 [Renumbered 473.166]

Subd. 2. **Loans for acquisition.** (a) The council may make loans to counties, towns, and statutory and home rule charter cities within the metropolitan area for the purchase of property within the right-of-way of a state trunk highway shown on an official map adopted pursuant to section 394.361 or 462.359 or for the purchase of property within the proposed right-of-way of a principal or intermediate arterial highway designated by the council as a part of the metropolitan highway system plan and approved by the council pursuant to section 473.166. The loans shall be made by the council, from the fund established pursuant to this subdivision, for purchases approved by the council. The loans shall bear no interest.

(b) The council shall make loans only:

(1) to accelerate the acquisition of primarily undeveloped property when there is a reasonable probability that the property will increase in value before highway construction, and to update an expired environmental impact statement on a project for which the right-of-way is being purchased;

(2) to avert the imminent conversion or the granting of approvals which would allow the conversion of property to uses which would jeopardize its availability for highway construction;

(3) to advance planning and environmental activities on highest priority major metropolitan river crossing projects, under the transportation development guide chapter/policy plan; or

(4) to take advantage of open market opportunities when developed properties become available for sale, provided all parties involved are agreeable to the sale and funds are available.

(c) The council shall not make loans for the purchase of property at a price which exceeds the fair market value of the property or which includes the costs of relocating or moving persons or property. The eminent domain process may be used to settle differences of opinion as to fair market value, provided all parties agree to the process.

(d) A private property owner may elect to receive the purchase price either in a lump sum or in not more than four annual installments without interest on the deferred installments. If the purchase agreement provides for installment payments, the council shall make the loan in installments corresponding to those in the purchase agreement. The recipient of an acquisition loan shall convey the property for the construction of the highway at the same price which the recipient paid for the property. The price may include the costs of preparing environmental documents that were required for the acquisition and that were paid for with money that the recipient received from the loan fund. Upon notification by the council that the plan to construct the highway has been abandoned or the anticipated location of the highway changed, the recipient shall sell the property at market value in accordance with the procedures required for the disposition of the property. All rents and other money received because of the recipient's ownership of the property and all proceeds from the conveyance or sale of the property shall be paid to the council. If a recipient is not permitted to include in the conveyance price the cost of preparing environmental documents that were required for the acquisition, then the recipient is not required to repay the council an amount equal to 40 percent of the money received from the loan fund and spent in preparing the environmental documents.

(e) The proceeds of the tax authorized by subdivision 3, all money paid to the council by recipients of loans, and all interest on the proceeds and payments shall be maintained as a separate fund. For administration of the loan program, the council may expend from the fund each year an amount no greater than three percent of the amount of the proceeds for that year.

Subd. 2a. **Loans for acquisition and relocation.** (a) The council may make loans to acquiring authorities within the metropolitan area to purchase homestead property located in a proposed state trunk highway right-of-way or project, and to provide relocation assistance. Acquiring authorities are authorized to accept the loans and to acquire the property. Except as provided in this subdivision, the loans shall be made as provided in subdivision 2. Loans shall be in the amount of the fair market value of the homestead property plus relocation costs and less salvage value. Before construction of the highway begins, the acquiring authority shall convey the property to the commissioner of transportation at the same price it paid, plus relocation costs and less its salvage value. Acquisition and assistance under this subdivision must conform to sections 117.50 to 117.56.

(b) The council may make loans only when:

(1) the owner of affected homestead property requests acquisition and relocation assistance from an acquiring authority;

(2) federal or state financial participation is not available;

(3) the owner is unable to sell the homestead property at its appraised market value because the property is located in a proposed state trunk highway right-of-way or project as indicated on an official map or plat adopted under section 160.085, 394.361, or 462.359; and

(4) the council agrees to and approves the fair market value of the homestead property, which approval shall not be unreasonably withheld.

(c) For purposes of this subdivision, the following terms have the meanings given them.

(1) "Acquiring authority" means counties, towns, and statutory and home rule charter cities in the metropolitan area.

(2) "Homestead property" means: (i) a single-family dwelling occupied by the owner, and the surrounding land, not exceeding a total of ten acres; or (ii) a manufactured home, as defined in section 327B.01, subdivision 13.

(3) "Salvage value" means the probable sale price of the dwelling and other property that is severable from the land if offered for sale on the condition that it be removed from the land at the buyer's expense, allowing a reasonable time to find a buyer with knowledge of the possible uses of the property, including separate use of serviceable components and scrap when there is no other reasonable prospect of sale.

Subd. 3. **Tax.** The council may levy a tax on all taxable property in the metropolitan area, as defined in section 473.121, to provide funds for loans made pursuant to subdivisions 2 and 2a. This tax for the right-of-way acquisition loan fund shall be certified by the council, levied, and collected in the manner provided by section 473.13. The tax shall be in addition to that authorized by section 473.249 and any other law and shall not affect the amount or rate of taxes which may be levied by the council or any metropolitan agency or local governmental unit. The amount of the levy shall be as determined and certified by the council, provided that the tax levied by the Metropolitan Council for the right-of-way acquisition loan fund shall not exceed $2,828,379 for taxes payable in 2004 and $2,828,379 for taxes payable in 2005. The amount of the levy for taxes payable in 2006 and subsequent years shall not exceed the product of (1) the Metropolitan Council's property tax levy limitation under this subdivision for the previous year, multiplied by (2) one plus a percentage equal to the growth in the implicit price deflator as defined in section 275.70, subdivision 2.

Subd. 3a. [Repealed, 1996 c 464 art 1 s 12]

Subd. 4. **State review.** The commissioner of revenue shall certify the council's levy limitation under this section to the council by August 1 of the levy year. The council must certify its proposed property tax levy to the commissioner of revenue by September 1 of the levy year. The commissioner of revenue shall annually determine whether the property tax for the right-of-way acquisition loan fund certified by the Metropolitan Council for levy following the adoption of its proposed budget is within the levy limitation imposed by this section. The determination must be completed prior to September 10 of each year. If current information regarding market valuation in any county is not transmitted to the commissioner in a timely manner, the commissioner may estimate the current market valuation within that county for purposes of making the calculation.

Subd. 5. [Repealed, 1996 c 464 art 1 s 12]

History: *1975 c 13 s 15; 1976 c 166 s 7; 1982 c 520 s 4; 1984 c 654 art 3 s 111; 1985 c 47 s 1,2; 1985 c 248 s 70; 1986 c 444; 1986 c 460 s 21; 1988 c 675 s 6-9; 1989 c 306 s 5-7; 1Sp1989 c 1 art 9 s 66; 1993 c 353 s 3; 1993 c 375 art 7 s 17; 1994 c 416 art 1 s 52; 1994 c 628 art 3 s 48; 1994 c 640 s 3; 1995 c 255 art 2 s 5-7; 1996 c 464 art 1 s 2-4; 1Sp2003 c 21 art 4 s 8; 2009 c 86 art 1 s 71; 2010 c 351 s 61*

Appendix 2

Metropolitan Council
Right of Way Acquisition Loan Fund
Tax Levy History

Metropolitan Council Right-of-Way Acquisition Loan Fund Tax Levy History	
Tax Year Payable	**Highway Right-of-Way Levy**
1983	$1,030,000
1984	$1,136,000
1985	$1,198,000
1986	$1,227,000
1987	$2,010,014
1988	$1,391,000
1989	$3,022,000
1990	$2,700,000
1991	$1,716,000
1992	$ 555,000
1993	---
1994	---
1995	---
1996	---
1997	---
1998	$2,142,932
1999	$2,159,302
2000	$1,142,446
2001	$1,142,446
2002	$2,822,906
2003	$3,142,643
2004	$2,803,379
2005	$2,803,379
2006	---
2007	$3,162,756
2008	$3,298,290
2009	$3,426,923
2010	$3,531,797
2011	$3,591,074
2012	$3,591,074
2013	$2,967,696

Appendix 3

Highway Right of Way Acquisition Fund
Schedule of Loans

METROPOLITAN COUNCIL

HIGHWAY RIGHT-OF-WAY ACQUISITION FUND

SCHEDULE OF LOANS - FUND 261 - Account 1450

As of May 31, 2013

Recipient	Loan Number	Description	Amount of Loan Not to Exceed	Amount of Loan Actual Loan	Paybacks	Current Outstanding	Committed Balance
City of Lakeville	L-06-01	Outlot B Commerce Center East	1,466,300.00	1,466,300.00	306,457.00	1,159,843.00	0.00
Total Lakeville			1,466,300.00	1,466,300.00	306,457.00	1,159,843.00	0.00
City of Anoka	L-07-03	5800 Highway 10, Moriarity	820,000.00	815,528.30	0.00	815,528.30	4,471.70
City of Anoka	L-09-03	1125 W MainSt, Vineyard	1,410,000.00	1,368,284.89	0.00	1,368,284.89	0.00
City of Anoka	L-09-06	Eniva Outlot B &D	325,000.00	318,646.66	0.00	318,646.66	0.00
Total Anoka			2,555,000.00	2,502,459.85	0.00	2,502,459.85	4,471.70
Anoka County	L-08-05	Boike, Llama St	1,272,439.16	1,272,439.16		1,272,439.16	0.00
Total Anoka County			1,272,439.16	1,272,439.16	0.00	1,272,439.16	0.00
City of Brooklyn Park	L-90-2	EIS/610	517,800.00	517,800.00	207,120.00	310,680.00	0.00
Total Brooklyn Park			517,800.00	517,800.00	207,120.00	310,680.00	0.00
City of Bloomington	L-99-4	35W & W 98th St	706,495.00	706,466.05	0.00	706,466.05	0.00
City of Bloomington	L-03-02	Wegner 8524 Girard	265,000.00	253,596.18		253,596.18	0.00
City of Bloomington	L-03-03	8332 Humboldt, Despliter	252,000.00	239,810.60		239,810.60	0.00
City of Bloomington	L-03-04	8544 Girard, Winegar	247,000.00	244,247.37		244,247.37	0.00
City of Bloomington	L-03-05	8344 Humboldt, Knight	251,000.00	204,035.23	7,401.75	196,633.48	0.00
City of Bloomington	L-04-01	8350 Humboldt, Comee	250,000.00	221,136.99	1,864.82	219,272.17	0.00
City of Bloomington	L-04-02	8440 Humboldt, Vasatka	273,000.00	246,899.35		246,899.35	0.00
City of Bloomington	L-04-03	8400 Humboldt, Koplitz	285,000.00	249,148.63		249,148.63	0.00
City of Bloomington	L-04-06	8446 Humboldt, Ambroe	278,000.00	250,557.89		250,557.89	0.00
City of Bloomington	L-05-01	8356 Humboldt, Grover	280,000.00	243,722.74		243,722.74	0.00
City of Bloomington	L-05-04	8312 Humboldt, Jobes	283,000.00	260,781.23		260,781.23	0.00
City of Bloomington	L-06-05	8500 Girard Ave, Bielke	265,000.00	257,362.38		257,362.38	0.00
City of Bloomington	L-06-06	1210 82nd, Ohuong Le Van	270,000.00	254,655.90		254,655.90	0.00
City of Bloomington	L-06-07	8452 Humboldt, Johnson	240,000.00	238,730.59		238,730.59	0.00
City of Bloomington	L-06-17	8326 Humboldt, Jackson	260,000.00	220,695.53		220,695.53	0.00
City of Bloomington	L-07-2	8320 Humboldt , Grob	295,355.00	290,700.16		290,700.16	0.00
City of Bloomington	L-07-6	8514 Girard, Harstad	225,000.00	215,359.91		215,359.91	0.00
City of Bloomington	L-08-4	8422 Humboldt,Fletcher	239,900.00	192,811.67		192,811.67	0.00
City of Bloomington	L-08-11	8444 Girard, Moren	239,900.00	207,723.57		207,723.57	0.00
City of Bloomington	L-08-12	8410 Humboldt, Benson	226,000.00	199,890.00		199,890.00	0.00
City of Bloomington	L-08-13	8534 Girard, Goral	275,000.00	251,983.83		251,983.83	0.00
City of Bloomington	L-10-01	8338 Humboldt, Parcel 50M	181,000.00	161,493.81		161,493.81	0.00
Total Bloomington			6,087,650.00 #	5,611,809.61	9,266.57	5,602,543.04	0.00
City of Blaine	L-06-16	I35 & cty J Rice St	1,093,250.00	1,093,250.00		1,093,250.00	0.00
Total Blaine			1,093,250.00	1,093,250.00	0.00	1,093,250.00	0.00
City of Chaska	L-97-1	TH212/BDI	912,739.34	912,739.34		912,739.34	0.00
Total Chaska			912,739.34	912,739.34	0.00	912,739.34	0.00
City of Maple Grove	L-95-2	11300 97th Av. TH 610	121,982.00	121,982.00		121,982.00	0.00
City of Maple Grove	L-95-3	Lynde & McLoed Property	719,106.00	719,106.00		719,106.00	0.00
City of Maple Grove	L-95-4	Peterson Property	526,363.08	526,363.08	489,849.56	36,513.52	0.00
City of Maple Grove	L-96-2	Johnson property	120,635.00	120,635.00		120,635.00	0.00
City of Maple Grove	L-97-2	Peterson Property	179,350.00	179,350.00	21,715.00	157,635.00	0.00
City of Maple Grove	L-99-6	Berthiaume Property	285,808.00	285,808.00		285,808.00	0.00

METROPOLITAN COUNCIL

HIGHWAY RIGHT-OF-WAY ACQUISITION FUND

SCHEDULE OF LOANS - FUND 261 - Account 1450

As of May 31, 2013

Recipient	Loan Number	Description	Amount of Loan: Not to Exceed	Amount of Loan: Actual Loan	Paybacks	Current Outstanding	Committed Balance
City of Maple Grove	L-02-02	Roeder Property	3,996,243.00	3,996,243.00		3,996,243.00	0.00
Total Maple Grove			5,949,487.08	5,949,487.08	511,564.56	5,437,922.52	0.00
City of Ramsey	L-04-4	Miller 6159 Hiway 10	372,647.00	372,647.00		372,647.00	0.00
City of Ramsey	L-04-5	Deal 66xx Hiway 10	1,040,862.00	1,040,862.00		1,040,862.00	0.00
City of Ramsey	L-05-2	Hamilton 6615 Hiway 10	1,165,249.00	1,165,249.00		1,165,249.00	0.00
City of Ramsey	L-05-3	6131 Hiway 10 Premier	263,334.00	263,334.00		263,334.00	0.00
City of Ramsey	L-05-05	NAU property	1,828,129.00	1,828,129.00		1,828,129.00	0.00
City of Ramsey	L-06-02	Nissen 9101 Hiway 10	384,868.00	384,868.00		384,868.00	0.00
City of Ramsey	L-06-03	Olson EZ Tractor Sales	468,015.00	468,015.00		468,015.00	0.00
City of Ramsey	L-06-09	Nedegaard Anchors Away	1,762,491.00	1,762,491.00		1,762,491.00	0.00
City of Ramsey	L-07-05	Halosek 6201 Hwy 10	553,450.00	551,934.00		551,934.00	1,516.00
City of Ramsey	L-08-01	Hills 7743 Hiway 10	1,260,686.00	1,260,686.00		1,260,686.00	0.00
City of Ramsey	L-08-10	DuBois 77xxHiway 10	406,921.00	406,921.00		406,921.00	0.00
City of Ramsey	L-09-02	Wilson 7550 Sunwood	1,038,533.00	1,011,533.00		1,011,533.00	27,000.00
City of Ramsey	L-09-04	Holiday sttn 7157 Hwy 10	935,246.00	935,246.00		935,246.00	0.00
City of Ramsey	L-09-05	7157 Hiway 10 Pro Sport	779,472.00	779,472.00		779,472.00	0.00
City of Ramsey	L-11-01	Todd Bialon/EZ Auto Parcel	653,728.00	653,728.00		653,728.00	0.00
Total Ramsey			12,913,631.00	12,885,115.00	0.00	12,885,115.00	28,516.00
City of Richfield	L-01-01	McCarthy Site	2,410,000.00	2,410,000.00		2,410,000.00	0.00
City of Richfield	L-01-02	Walser, BMW #2	1,710,000.00	1,710,000.00		1,710,000.00	0.00
City of Richfield	L-02-03	Walser, Isuzu	2,880,000.00	2,880,000.00		2,880,000.00	0.00
Total Richfield			7,000,000.00	7,000,000.00	0.00	7,000,000.00	0.00
City of Shoreview	L-06-14	Rice & I694	6,012,176.00	6,012,176.00		6,012,176.00	0.00
Total Shoreview			6,012,176.00	6,012,176.00	0.00	6,012,176.00	0.00
City of Belle Plaine	L-06-08	CSAH 3/TH 169	1,139,800.00	1,125,000.00		1,125,000.00	14,800.00
City of Belle Plaine	L-08-03	CSAH 3/TH 169Weckworth	240,384.00	225,231.00		225,231.00	15,153.00
Total Belle Plaine			1,380,184.00	1,350,231.00	0.00	1,350,231.00	29,953.00
Sub-Total current outstanding			47,160,656.58	46,573,807.04	1,034,408.13	45,539,398.91	62,940.70
Metropolitan Council			462,899.76	462,899.76	462,899.76	0.00	0.00
Wahsington County	L-89-2	Big Lake Park	195,300.00	195,300.00	195,300.00	0.00	0.00
City of Shakopee	L-84-1 TH 101	Water Parcels 1-2	895,603.00	895,603.00	895,603.00	0.00	0.00
City of Shakopee	L-85-3	Parcels 3-6	182,490.57	182,490.57	182,490.57	0.00	0.00
City of Shakopee	L-86-5 (C-86-34)	Parcel 7	88,374.20	88,374.20	88,374.20	0.00	0.00
City of Richfield	L-92-11	7644 Nicollet	136,355.00	136,355.00	136,355.00	0.00	0.00
City of Richfield	L-92-9	7644 14th Ave	90,550.00	90,550.00	90,550.00	0.00	0.00
City of Richfield	L-92-2	7645 Wentworth	100,000.00	100,000.00	100,000.00	0.00	0.00
City of Richfield	L-92-1	7644 3rd Ave	110,525.00	110,525.00	110,525.00	0.00	0.00
City of Richfield	L-91-6	7645 Oakland	103,050.00	103,050.00	103,050.00	0.00	0.00
City of Richfield	L-90-4	7644 10th Ave	148,000.00	129,273.68	129,273.68	0.00	0.00
City of Richfield	L-90-3	77th st	84,000.00	84,000.00	84,000.00	0.00	0.00
City of Chanhassen	L-95-6	Trunk Hwy 212	407,889.19	407,500.00	407,500.00	0.00	0.00

METROPOLITAN COUNCIL

HIGHWAY RIGHT-OF-WAY ACQUISITION FUND

SCHEDULE OF LOANS - FUND 261 - Account 1450

As of May 31, 2013

			Amount of Loan			Current	Committed
Recipient	**Loan Number**	**Description**	**Not to Exceed**	**Actual Loan**	**Paybacks**	**Outstanding**	**Balance**
City of Chanhassen	L-97-3	Parcel #74 Tk Hwy 212	1,896,000.00	1,896,000.00	1,896,000.00	0.00	0.00
City of Chaska	L-92-3	The Oaks	457,745.00	457,597.00	457,597.00	0.00	0.00
City of Chaska	L-92-12	Hammers Property	203,684.39	203,684.39	203,684.39	0.00	0.00
City of Chaska	L-92-14	BDI Property	468,822.12	468,822.12	468,822.12	0.00	0.00
City of Chaska	L-92-15	Ranch Properties	242,451.00	242,451.00	242,451.00	0.00	0.00
City of Chaska	L-94-1	Amoco Oil Company	345,400.64	345,400.64	345,400.64	0.00	0.00
City of Chaska	L-94-2	Ester Chase Property	313,694.75	313,694.75	313,694.75	0.00	0.00
City of Chaska	L-98-12	TH212/Chaska Ryland	112,030.15	112,030.15	112,030.15	0.00	0.00
City of Chaska	L-90-1 TH 212	Outlot D	168,144.00	168,144.00	168,144.00	0.00	0.00
City of Chaska	L-92-6	Hanson Property	112,593.00	100,110.59	100,110.59	0.00	0.00
City of Chaska	L-92-13	F. Molnav	346,121.79	346,121.79	346,121.79	0.00	0.00
City of Chaska	L-93-3	Schindler Addition	294,188.30	294,188.30	294,188.30	0.00	0.00
City of Chaska	L-94-5	Outlot G, Cortina Woods	836,425.31	836,425.31	836,425.31	0.00	0.00
City of Chaska	L-94-6	2325 Chestnut Av. N.	70,370.70	70,370.70	70,370.70	0.00	0.00
City of Chaska	L-94-7	2345 Chestnut Av. N.	106,676.64	106,676.64	106,676.64	0.00	0.00
City of Chaska	L-96-3	Hundertmark Heights	305,768.87	305,768.87	305,768.87	0.00	0.00
City of Chaska	L-97-4	TH212/Chaska Investors	646,051.70	646,051.70	646,051.70	0.00	0.00
City of Chaska	L-98-9	TH212/Chaska Guerts	294,268.00	294,268.00	294,268.00	0.00	0.00
City of Chaska	L-99-3	Haasken Property	268,394.50	268,394.50	268,394.50	0.00	0.00
City of Ramsey	L-05-06	Wilson Property	814,000.00	0.00	0.00	0.00	0.00
City of Maple Grove	L-95-11	Hwy 610 Corridor	391,070.00	391,070.00	391,070.00	0.00	0.00
City of Maple Grove	L-85-2 TH 610	Peterson Property	423,340.00	423,340.00	423,340.00	0.00	0.00
City of Maple Grove	L-87-5	Parcel B	377,981.52	377,981.52	377,981.52	0.00	0.00
City of Maple Grove	L-88-1	Fountain Park West	89,014.50	89,014.50	89,014.50	0.00	0.00
City of Maple Grove	L-88-2	Wilness Property	282,520.47	282,520.47	282,520.47	0.00	0.00
City of Maple Grove	L-89-1	Hanson Property	80,265.50	80,265.50	80,265.50	0.00	0.00
City of Maple Grove	L-90-6	Grosser Property	501,265.60	501,265.60	501,265.60	0.00	0.00
City of Maple Grove	L-94-8	11250 97th Av.	102,726.00	102,726.00	102,726.00	0.00	0.00
City of Maple Grove	L-95-5	Aherns Property	355,000.00	355,000.00	355,000.00	0.00	0.00
City of Maple Grove	L-95-5	Aherns Property(City Incurred)	13,289.00	13,289.00	13,289.00	0.00	0.00
City of Maple Grove	L-97-5	Maple Grove School Dist	765,162.50	765,162.50	765,162.50	0.00	0.00
City of Maple Grove	L-98-1	TH 610 Heise Property	105,768.00	105,768.00	105,768.00	0.00	0.00
City of Maple Grove	L-99-1	Lutgren Property	313,133.00	313,133.00	313,133.00	0.00	0.00
City of Maple Grove	L-01-03	Schleif Property	213,115.00	213,115.00	213,115.00	0.00	0.00
City Of Woodbury	L-91-5	Lot 3, Block 1	247,613.00	247,613.00	247,613.00	0.00	0.00
City of Inver Gvove Heights	L-99-2	Koch land-117th/TH52	730,776.31	730,776.31	730,776.31	0.00	0.00
City of Brooklyn Park	L-86-8 TH 610	Parcel K	65,961.78	65,961.78	65,961.78	0.00	0.00
City of Brooklyn Park	L-87-2	Trunk Hwy 610	1,496,611.00	1,496,611.00	1,496,611.00	0.00	0.00
City of Eden Prairie	L-94-4	Ray N. Welter Property	1,614,300.00	1,609,905.75	1,609,905.75	0.00	0.00
City of Eden Prairie	L-89-3 TH 212		99,350.00	99,350.00	99,350.00	0.00	0.00
City of Eden Prairie	L-89-6	Otterlei Property	562,409.47	562,409.47	562,409.47	0.00	0.00
City of Eden Prairie	L-89-7	Midness Property	522,854.22	522,854.22	522,854.22	0.00	0.00
City of Eden Prairie	L-91-2	Red Rock Shores	135,000.00	135,000.00	135,000.00	0.00	0.00
Loans paid back prior years			20,796,394.45	19,946,254.28	19,946,254.28	0.00	0.00
Total All			67,957,051.03	66,520,061.32	20,980,662.41	45,539,398.91	62,940.70
						7,986,914.89	

METROPOLITAN COUNCIL

HIGHWAY RIGHT-OF-WAY ACQUISITION FUND

SCHEDULE OF LOANS - FUND 261 - Account 1450

As of May 31, 2013

Recipient	Loan Number	Description	Amount of Loan: Not to Exceed	Amount of Loan: Actual Loan	Paybacks	Current Outstanding	Committed Balance
						(62,940.70)	
						7,923,974.19	

Appendix 4

Financial Evaluation of the RALF Program
(ProSource Report)

Financial Evaluation of the Right-of-Way Acquisition Loan Fund (RALF)

Program

Prepared by: Jeff Cruickshank

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Introduction

Purpose

The purpose of this study is to review and assess the Metropolitan Council's Right-of-Way Acquisition Loan Fund (RALF) program to evaluate its financial efficiency over the past 30 years, to determine its future viability and to make recommendations for continued management of the program.

Background

The Metropolitan Council is responsible for transportation planning and transit operations including aviation, highway and transit systems in the seven-county Twin Cities metropolitan area. Since 1982 Mn. State law 473.166 (establishing the Right-of-Way Acquisition loan fund, or "RALF") has allowed the Council to levy a regional property tax for advance acquisition of officially mapped highway rights of way threatened by imminent development. The law was subsequently amended to acquire any officially mapped right-of-way that becomes available on the open market. The levy currently generates approximately $3.6 million per year. The funds are used by the Council to make interest-free loans to counties, cities and towns, which in turn buy the property within the officially mapped right-of-way for state trunk highways or metropolitan highways. The city retains title to the property until the Minnesota Department of Transportation (MnDOT) purchases it immediately prior to construction and the loans are repaid to the revolving RALF fund.

The cost of highway right-of-way can represent a significant share of the overall cost of the project and at times may represent more than half the total project cost. Acquiring right-of-way well in advance of highway construction can be financially beneficial if it pre-empts development or averts the longer term appreciation of property value. Advanced acquisition can also have non-financial benefits such as purchasing homesteaded properties facing hardship.

RALF Program

The revolving RALF loan program provides a funding source to enable early acquisition of these highway rights-of-way. The Metropolitan Council lends money to the cities to purchase right-of-way from willing sellers in certain in certain officially mapped highway corridors. Cities are responsible for having the property appraised and negotiating the price with the owners (which MnDOT reviews and certifies). The total loan amount also includes city-incurred expenses for acquiring the property including appraisal fees, review appraisal fees, title research, field title reports, pro-rated property taxes, relocation costs and closing costs. Net income derived from the properties while under city ownership is returned to the RALF fund.

Study Methodology and Land Cost Analysis

The Metropolitan Council contracted with ProSource Technologies, LLC (ProSource) to collect and analyze data from the RALF loan records. Key elements required for this analysis include:

- Purchase price of property used for right-of-way;
- Acquisition cost(s) involved in property purchase;
- Relocation benefits (if any);
- Projected value at the time of project construction based on available resources

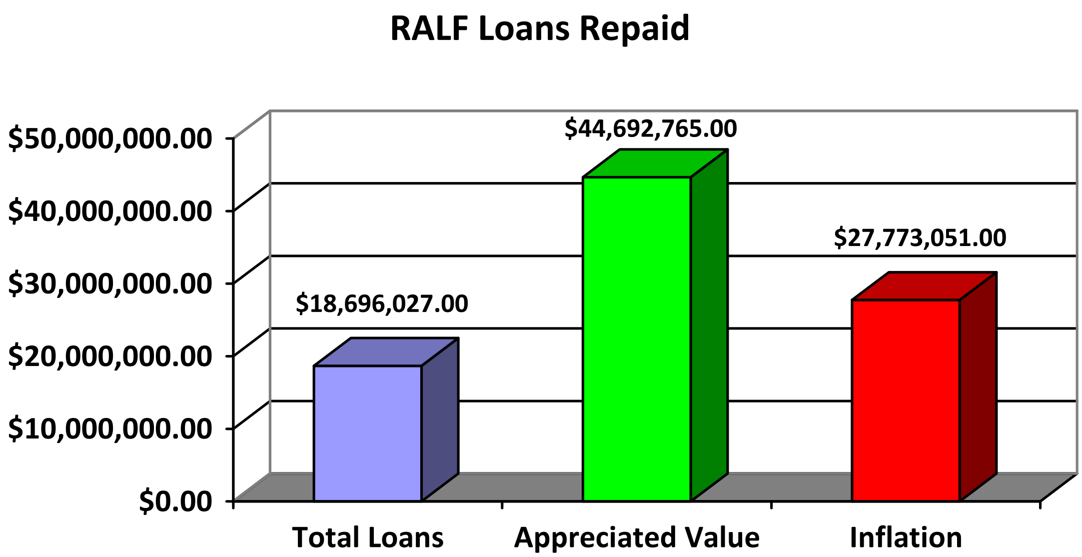
Since the fundamental benefit of the RALF program is the avoidance, through advance purchase, of higher property costs due to real estate development or appreciation, the study reviews initial property purchase prices under the program versus the expected property purchase prices. The analysis calculated costs using the Net Future Value (NFV) methodology, which compares present day monetary value to future monetary value. The analysis covers all loans since RALF's inception in 1982, including 55 completed (repaid) projects as well as 57 outstanding loans.

The analysis covers parcels that were purchased by certain participating cities for later purchase by MnDOT. Corresponding values were generated on 1) the purchase value of the land at the time of the purchase by the city and 2) the projected value at the time MnDOT purchased the right-of-way. For loans that have not yet been repaid the second value calculated was the estimated current land value. The RALF loan amount includes the purchase price of each parcel and the acquisition delivery costs (acquisition labor, relocation costs and any administrative costs). Relocation costs are included in hardship loans.

The price of land was adjusted by the annual average increase or decrease in land value in the Twin Cities' metro area for each of the years between the time of purchase of the land under the RALF program and the estimated purchase date of the land by MnDOT. The price of the acquisition delivery costs were adjusted annually for the rate of inflation.

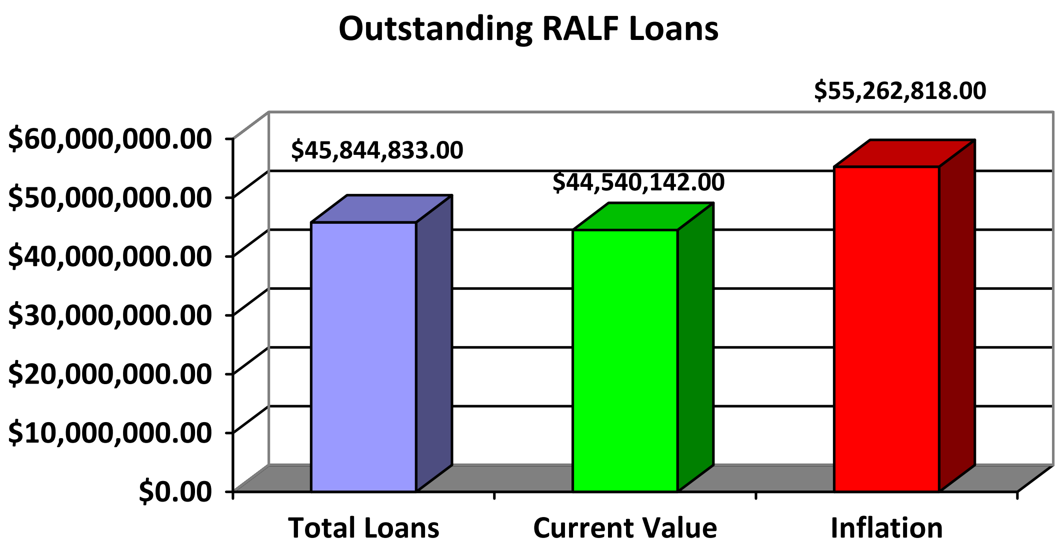
Once we determined the estimated land value at loan payoff, the purchase amount was compounded for inflation. This was calculated by multiplying the purchase price by the corresponding inflation rate for each applicable year. This step equates the time value of the actual and estimated purchase values as of the payoff moment. The difference in these values, then, represents the "real" gain or loss, expressed as the Net Future Value.

A major purpose of this evaluation is to determine the financial performance of the RALF program since inception. Analyses of loans that have been repaid show a net gain of $16.9 million. Loans currently outstanding show a current value of $10.7 million decline in value. The total net shows a savings of $6.2 million dollars. The charts below show summarize the total value of loans that have been repaid to date, and those that are still outstanding.



Total Loans	Appreciated Value	Inflation	Net Gain
$18,696,027	$44,692,765	$27,773,051	**$ 16,919,715**

Most of the loans represented above were repaid prior to 2006, i.e., during the extended real estate boom. In such an environment, RALF's ability to fund advance property acquisitions realized significant value.



Total Loans	Current Value	Inflation	Net Difference
$45,844,833	$44,450,142	$55,262,818.	**($10,722,676)**

More recent outstanding loans, by contrast, reflect the reality of the declining real estate market, and show an estimated aggregate current value of $10.7 million less than the purchase price. Because the properties are still subject to real estate prices, the numbers could be significantly different in five years. The real estate market could stay flat and appreciation would be minimal. Conversely, the market could rebound and we could see appreciation rates of the late nineties through 2005. There are many variables that affect real estate some of which are the economy, interest rates, politics and buyer demand. Many of the outstanding loans, thirty of the loans totaling $27.4 million, were issued in 2006 or later. Since then, real estate values have dropped significantly in both the Metro and nationwide.

While it is difficult to predict the future of the real estate market over the next ten years, it should be noted that real estate prices have had an upward trend and have outpaced inflation over the past thirty years, as shown in the graphs below compiled by Dr. Robert Schiller of Yale University, a leading real estate economist.

In the long term, holding real estate outpaces inflation and thus increases in value. In the case of the loans that have yet to be repaid it is impossible to determine if savings will be realized. Below is a summary of RALF loans extended, savings achieved and loans outstanding. For loans that were made from the program's inception and since repaid, the indication is that the RALF program has been successful in advancing the public interest. It is less clear with regard to the outstanding loans at this time, while the overall real estate market is depressed. A clear determination of the value of these loans cannot be made until the loans are repaid.

The total land cost analysis is summarized below; individual statistics on all the repaid RALF loans are included by city at the end of this report.

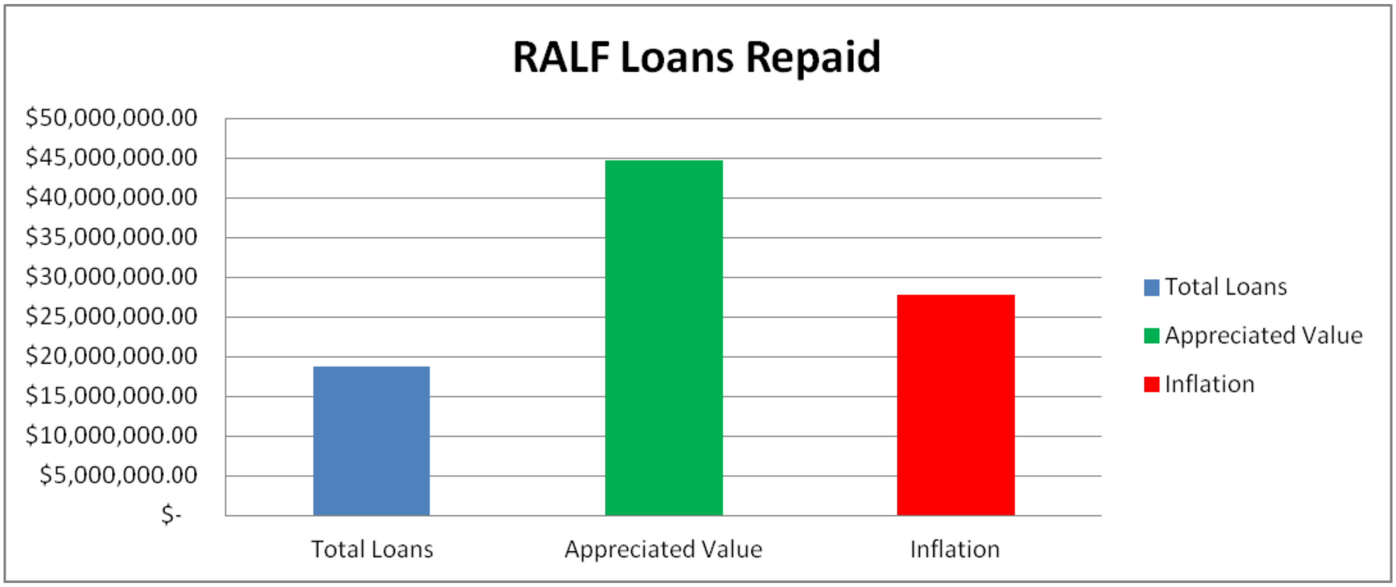
	Amount	Appreciated Value	Inflation	Net Gain / Loss
RALF Loans Repaid	$18,696,027	$44,692,765	$27,773,051	$16,919,715

RALF Loans Outstanding	$45,844,833	$44,450,142	$55,262,818	**($10,722,676)**
Total	**$64,540,860**	**$89,142,907**	**$83,035,868**	**$6,197,039**

Below are the rollups by cities for loans that have been repaid.

RALF Loans Repaid

City	Total Loans	Appreciated Value	Inflation	Net Gain
Brooklyn Park	$ 796,738.00	$ 2,409,879.00	$ 1,421,832.00	$ 988,047.00
Chanhassen	$ 2,303,889.00	$ 4,937,173.00	$ 2,897,554.00	$ 2,039,619.00
Chaska	$ 5,580,200.00	$ 13,923,273.00	$ 8,269,417.00	$ 5,653,856.00
Eden Prairie	$ 2,929,519.00	$ 6,487,876.00	$ 4,082,287.00	$ 2,405,590.00
Inver Grove Heights	$ 730,776.00	$ 2,409,788.00	$ 1,421,831.00	$ 987,957.00
Maple Grove	$ 4,304,728.00	$ 9,705,611.00	$ 6,417,382.00	$ 3,288,229.00
Richfield	$ 636,125.00	$ 793,180.00	$ 764,011.00	$ 29,170.00
Shakopee	$ 1,166,438.00	$ 3,365,382.00	$ 2,128,767.00	$ 1,236,615.00
Woodbury	$ 247,613.00	$ 660,603.00	$ 369,970.00	$ 290,633.00
	$ 18,696,026.00	**$ 44,692,765.00**	**$ 27,773,051.00**	**$ 16,919,716.00**

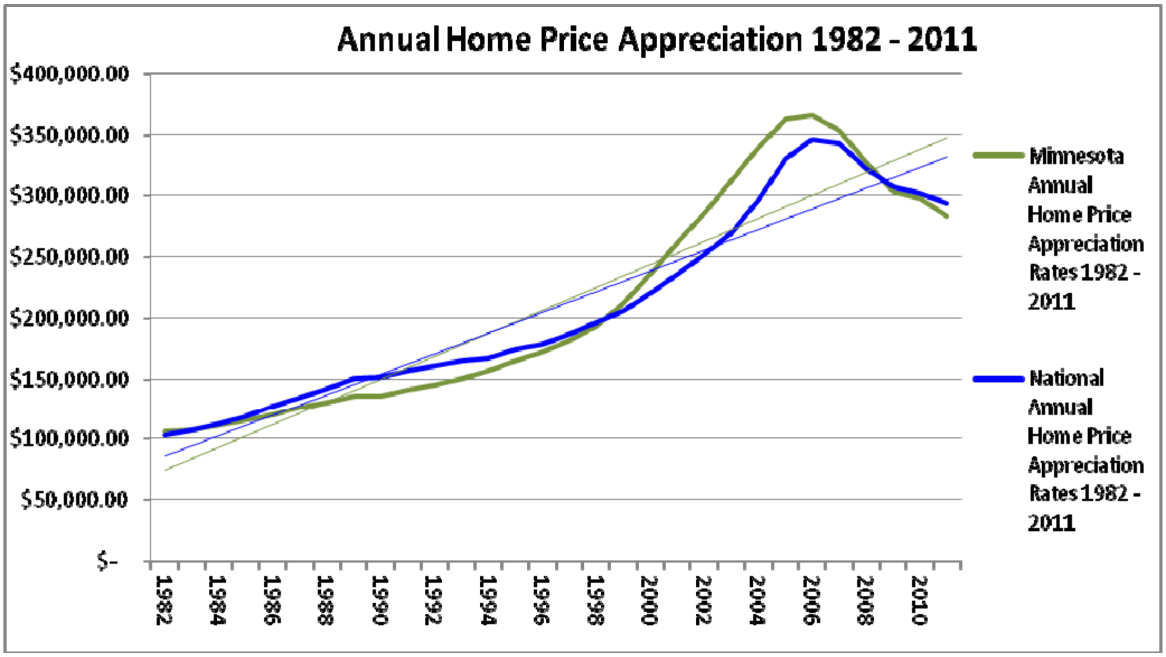


Other Financial Considerations in Evaluating RALF

In addition to the land cost analysis ProSource researched three other financial issues for consideration in the analyzing of the RALF program. Housing cost trends, transition zone land values and lost property tax revenue are described below.

Housing Cost Trends

Below is a chart showing annual home value appreciation / depreciation between 1982 and 2011 in the Twin Cities as well as nationwide. The numbers were obtained from Forecast-Chart, which is a service of Signal Trend, Inc.



The period between 1998 and 2006 saw double-digit appreciation in the housing market, fueled by economic activity, population growth and interest rates. Since 2007, there has been dramatic depreciation in the housing market that only recently has shown signs of recovery. Despite these extremes in performance, and annual volatility, the average from 1982 to 2011 shows a positive upward slope in appreciation.

The average value of homes in the Twin Cities' housing market fluctuated more than the national average home price between 1982 and 2011. The trend line indicates that the Twin Cities' housing values have been slightly higher than the national average over the past thirty years.

Transition Zone Land vs. Fully Developed Land

In addition to the Land Cost Analysis above, ProSource also considered the economic advantage of acquiring undeveloped right-of-way before it transitions to a higher and better use. An appraiser uses both “market” and “income” approach for each property to best determine its optimum current market value. As part of the appraisal, consideration is given to the “highest and best” use of the property, which might not be its current use. For example if the property is currently zoned agricultural it would be valued as farmland. However, if the property were adjacent to fully developed land (the transition zone) and the necessary public infrastructure to develop it were available, then the value of the land could be significantly higher than farmland.

As part of the study, ProSource interviewed its own and other appraisers who have valued transitional land for anticipated road projects. These appraisers all agree that valuing land in the “transition zone” is extremely difficult due to factors such as zoning change approvals, development and platting approvals, the timing and availability of public infrastructure and the cost of building gas and electric lines to a new development. They also agree that converting land from transition zone property to fully-developed property dramatically increase its value. It would reasonable to assume its square foot value could increase by 10 to 20 times when fully developed. In addition to the costs of the land itself, associated expenses such as acquisition, relocation and administrative costs may increase significantly due to the number of landowners that would be impacted.

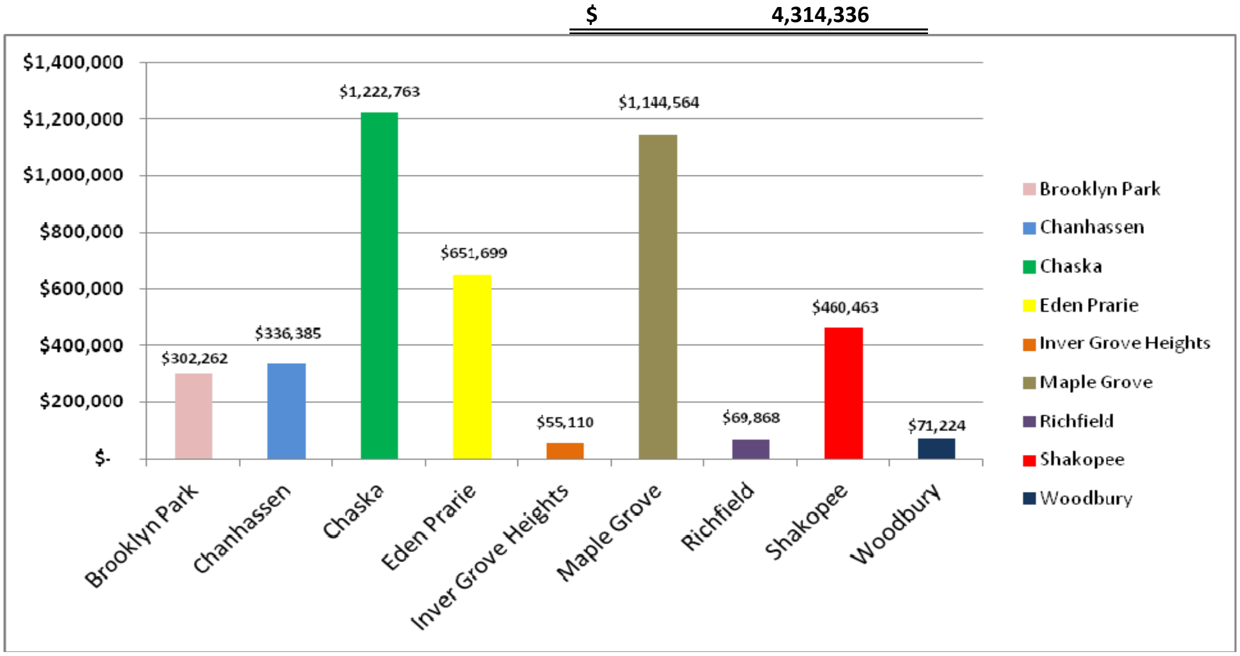
An example follows: Assume that within the next five to ten years MnDOT plans to expand a highway adjacent to a 40-acre parcel that is currently being farmed. This expansion will affect the entire length of the property. The land is on the brink of development and will be divided into 40 one-acre residential lots after the road is expanded. It is assumed that the farmland is currently valued at $5,000 per acre. After the developer has secured all the necessary zoning and building approvals, subdivided the property, and provided infrastructure to the property, each single lot could be sold to a builder for $80,000. Assuming that six acres (or six, one-acre lots) are needed for the highway right-of-way early acquisition under the RALF program, means the six acres of needed right-of-way could be purchased from one property owner for $30,000. Waiting until the road project commences to acquire right-of-way means the market value six lots could be $480,000. This increases the price of the land sixteen fold.

The location of the project and the likelihood of near-term development or redevelopment could make a significant difference in the magnitude of cost savings through advanced right-of-way acquisition. Coordination with local city or county planning and zoning departments could identify the locations most likely to be developed or redeveloped in the near future along road projects.

Exempt Properties and the Effect on City Property Taxes

ProSource also analyzed the implications for municipal tax revenue as a consequence of RALF acquired properties becoming tax exempt. By becoming publically owned land, the city no longer collects property taxes on the property. The methodology to calculate the lost revenue was done by multiplying the projected value of the property by year by the effective tax rate for each applicable year. Because specific tax rate data was not available for the subject cities, the effective tax rates were obtained through the Minnesota Tax Payers Association. The annual numbers were totaled to determine an estimate of what the cities lost in property taxes. The table below shows the total estimated property tax foregone for right-of-way parcels purchased with loans that have been since repaid.

City	Estimated Tax Roll Losses on Loans that have been Repaid	
Brooklyn Park	$	302,262
Chanhassen	$	336,385
Chaska	$	1,222,763
Eden Prairie	$	651,699
Inver Grove Heights	$	55,110
Maple Grove	$	1,144,564
Richfield	$	69,868
Shakopee	$	460,463
Woodbury	$	71,224
	$	4,314,336



ProSource Findings

Financial Value of the Repaid RALF Loans

Repaid RALF loans show a net savings of nearly $17 million. Parcels purchased in the mid-eighties and early nineties have shown the largest savings due to metro area real estate appreciation during that period. ProSource considers this an excellent use of taxpayer dollars with clear indications that the RALF program not only meets needs of the city and the participating individual landowners, but also provides a significant return on investment of public dollars.

Financial Value of the Outstanding RALF Loans

The more recent, outstanding loans, by contrast, reflect the reality of the declining real estate market, and show an estimated aggregate current value of $10.7 less than the total outstanding loan portfolio. Many of these outstanding loans (thirty loans, totaling $27.4 million) were issued in 2006 or later during which time real estate values have dropped significantly in both the metro and nationwide. In the case of the loans that have yet to be repaid it is impossible to determine if savings will be realized. While it is difficult to predict the future of the real estate market over the next ten years, it should be noted that real estate prices have had an upward trend and have outpaced inflation over the past thirty years.

Benefit of Acquiring "Transitional Land"

The location of the highway project and the likelihood of near term development or redevelopment near right-of-way can make a significant difference in the magnitude of savings realized through advanced right-of-way acquisition. Identifying these locations in coordination with local city or county planning departments can help target RALF acquisitions for optimum benefit. Wherever possible, undeveloped right-of-way or right-of-way that is likely to be redeveloped should be a priority for acquisition.

Property Tax Implications

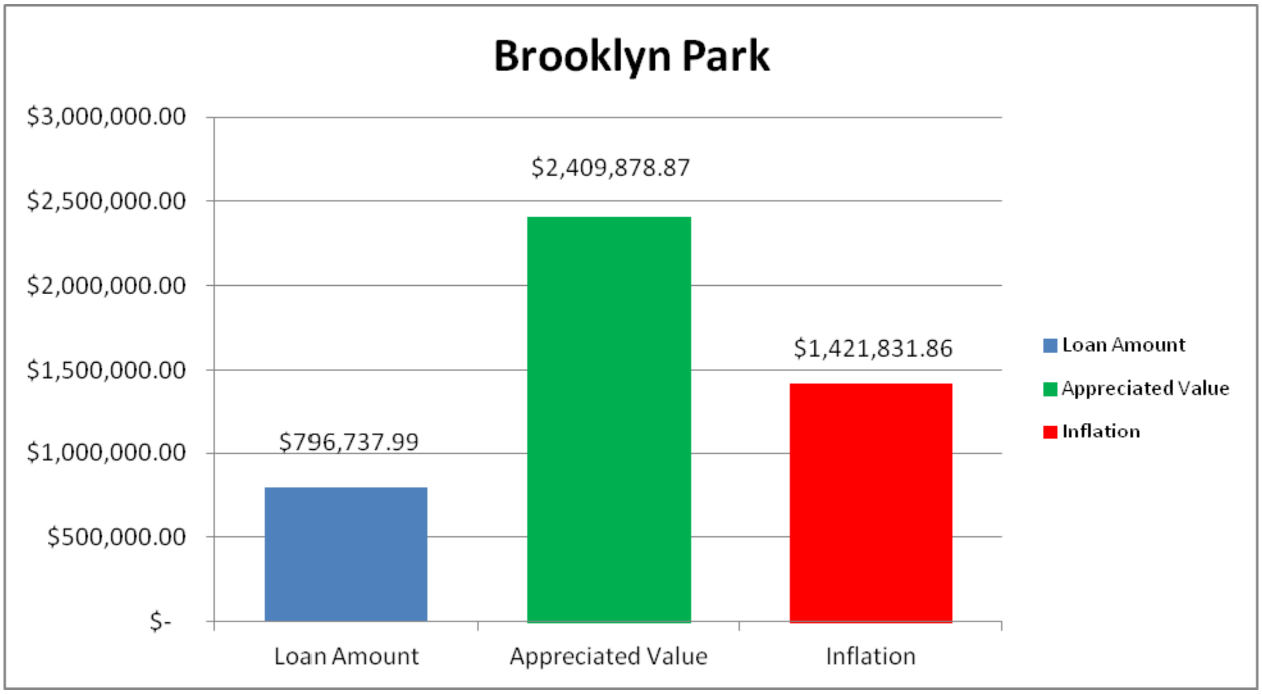
Although the ProSource analysis shows a net gain of about $17 million through the RALF program, it should be acknowledged that properties purchased with RALF loans become tax exempt. The calculated revenue on the repaid loans potentially foregone by the cities totals $4.34 million. These costs are partially offset by the overall $17 million in savings accrued to Mn/DOT.

Appendix

City Data

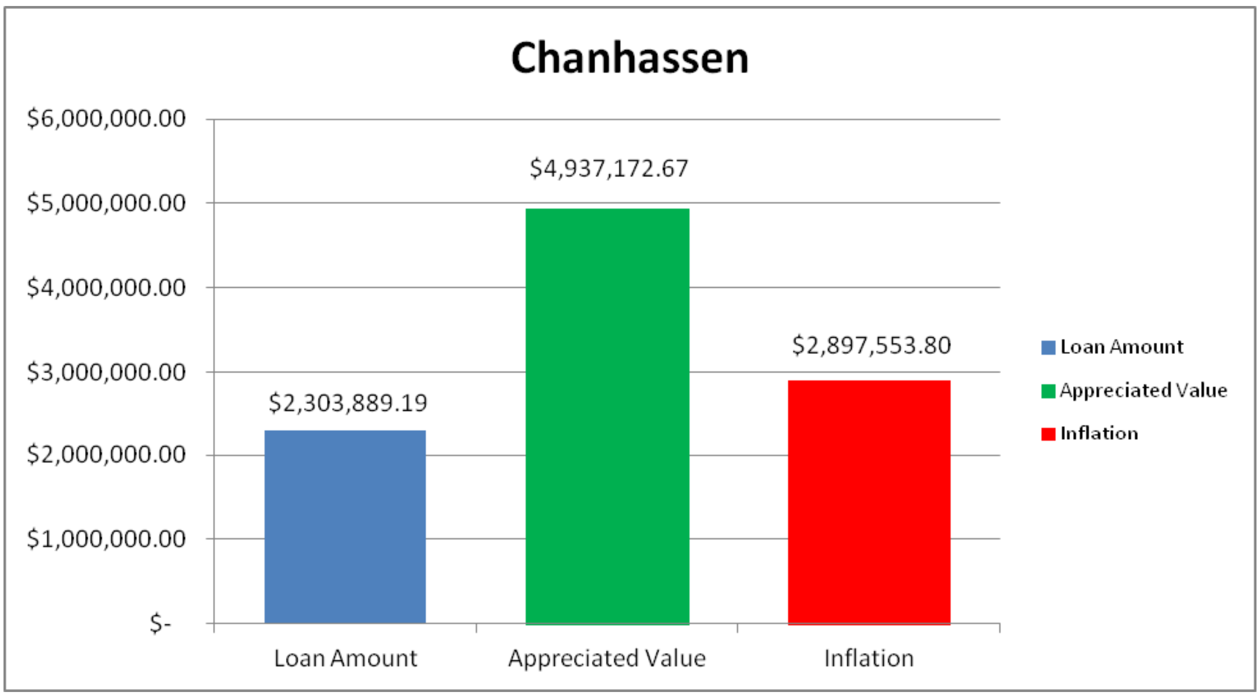
Brooklyn Park

Loan Number	Loan Amount		Appreciated Value		Inflation		Net Gain	
L-86-8	$	65,961.68	$	206,626.95	$	119,718.11	**$**	**86,908.84**
L-87-2	$	730,776.31	$	2,203,251.93	$	1,302,113.75	**$**	**901,138.18**
	$	**796,737.99**	**$**	**2,409,878.87**	**$**	**1,421,831.86**	**$**	**988,047.02**



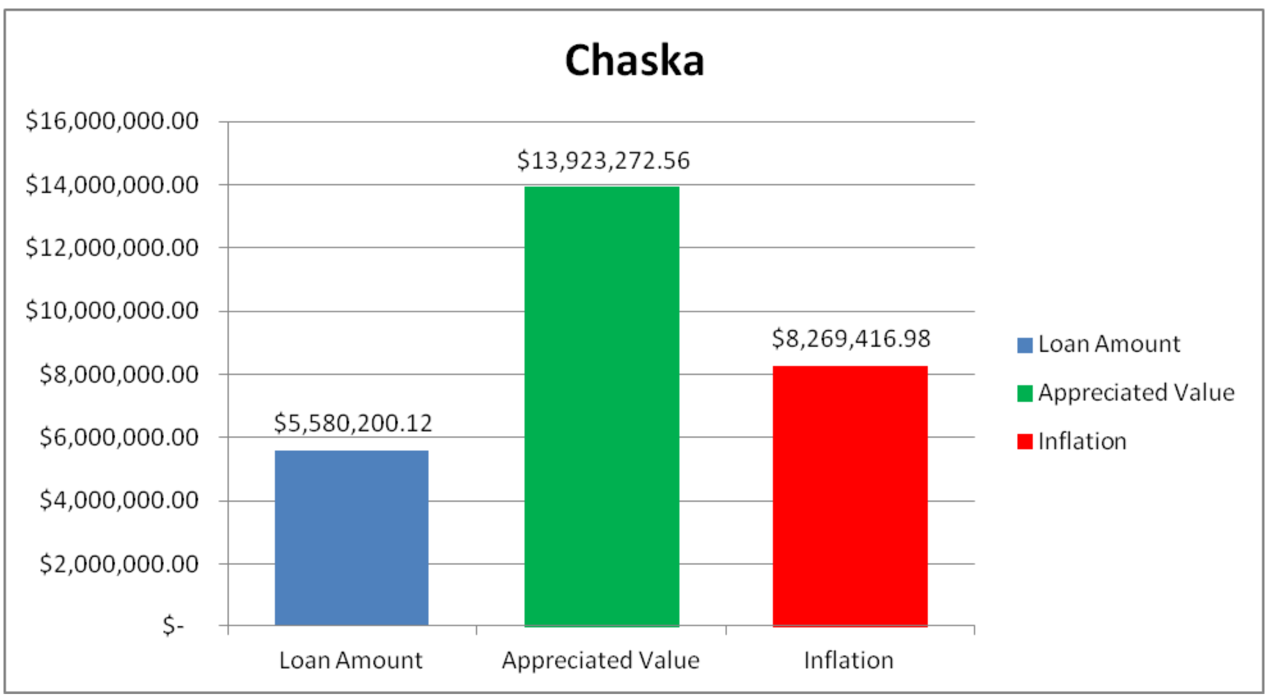
Chanhassen

Loan Number		Loan Amount		Appreciated Value		Inflation		Net Gain
L-95-6	$	407,889.19	$	945,618.71	$	537,493.43	**$**	**408,125.28**
L-97-3	$	1,896,000.00	$	3,991,553.96	$	2,360,060.37	**$**	**1,631,493.59**
	$	**2,303,889.19**	**$**	**4,937,172.67**	**$**	**2,897,553.80**	**$**	**2,039,618.87**



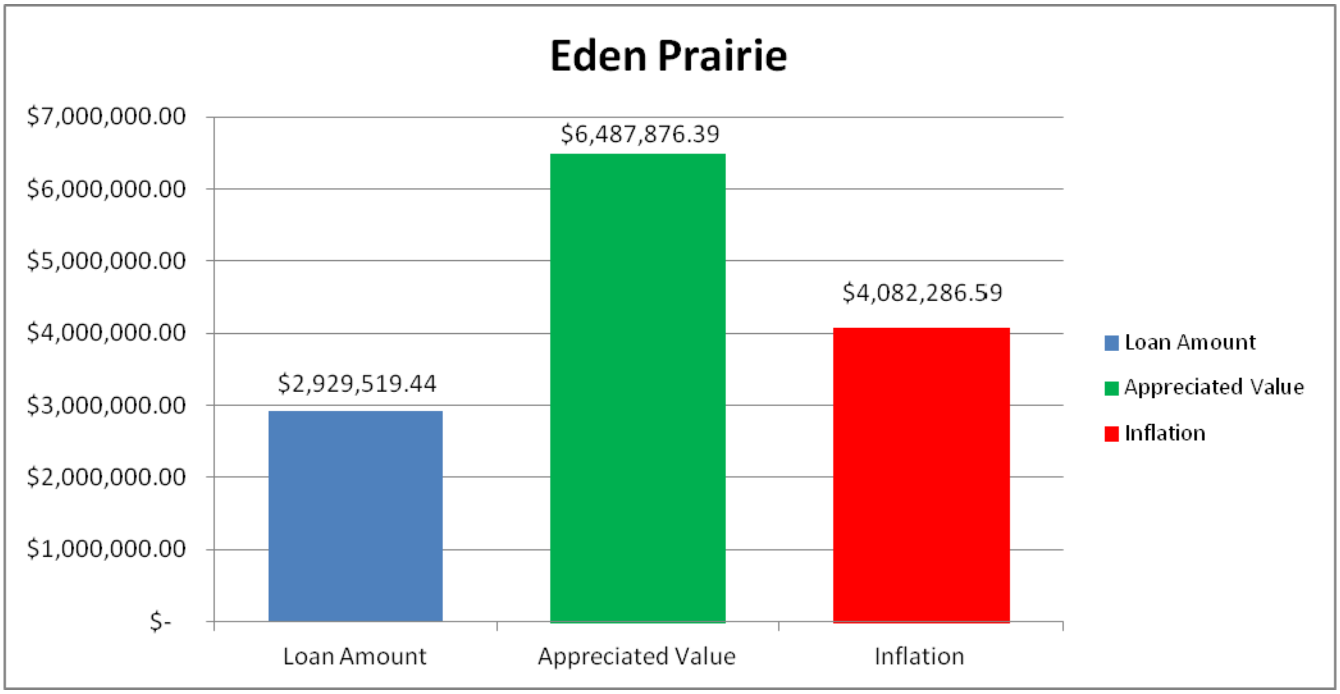
Chaska

Loan Number	Loan Amount		Appreciated Value		Inflation		Net Gain	
L-90-1	$	168,144.00	$	421,462.51	$	256,115.74	**$**	**165,346.77**
L-92-3	$	457,597.00	$	687,741.31	$	559,668.77	**$**	**128,072.54**
L-92-6	$	203,684.39	$	523,411.92	$	292,039.21	**$**	**231,372.70**
L-92-12	$	468,822.12	$	1,204,741.73	$	672,189.18	**$**	**532,552.55**
L-92-13	$	242,451.00	$	623,031.26	$	347,622.12	**$**	**275,409.14**
L-92-14	$	100,110.59	$	260,086.04	$	148,173.10	**$**	**111,912.93**
L-92-15	$	346,121.79	$	899,220.00	$	512,292.85	**$**	**386,927.15**
L-93-3	$	294,188.30	$	744,929.29	$	422,703.03	**$**	**322,226.26**
L-94-1	$	345,400.64	$	833,420.70	$	466,801.36	**$**	**366,619.34**
L-94-2	$	313,694.75	$	756,917.24	$	423,951.55	**$**	**332,965.69**
L-94-5	$	836,425.31	$	2,040,419.50	$	1,166,922.65	**$**	**873,496.85**
L-94-6	$	70,370.70	$	171,665.95	$	98,176.33	**$**	**73,489.63**
L-94-7	$	106,676.64	$	1,375,060.73	$	830,152.27	**$**	**544,908.46**
L-96-3	$	305,768.87	$	679,370.98	$	404,492.36	**$**	**274,878.62**
L-97-4	$	646,051.37	$	1,375,060.73	$	830,152.27	**$**	**544,908.46**
L-98-9	$	294,268.00	$	592,995.91	$	369,658.39	**$**	**223,337.53**
L-98-12	$	112,030.15	$	223,301.90	$	136,328.46	**$**	**86,973.45**
L-99-3	$	268,394.50	$	510,434.86	$	331,977.35	**$**	**178,457.51**
	$	**5,580,200.12**	**$**	**13,923,272.56**	**$**	**8,269,416.98**	**$**	**5,653,855.58**



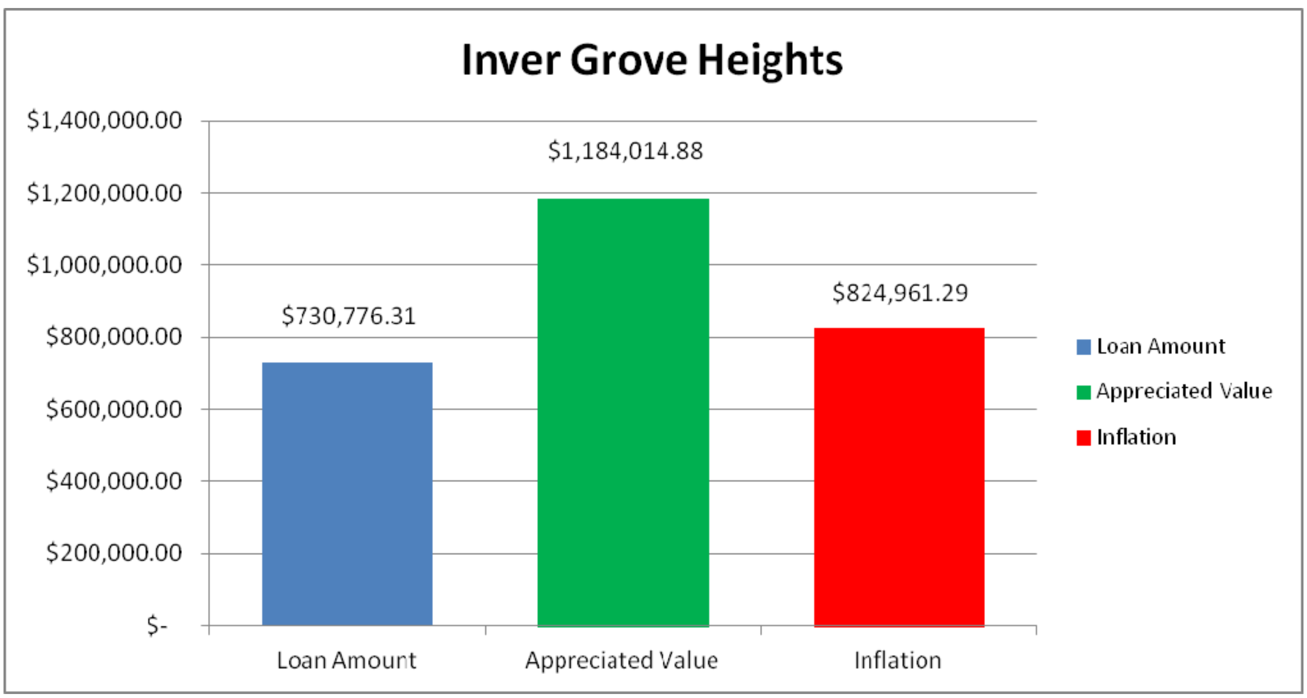
Eden Prairie

Loan Number	Loan Amount	Appreciated Value	Inflation	Net Gain
L-89-3	$ 99,350.00	$ 237,500.83	$ 154,513.23	**$ 82,987.60**
L-89-6	$ 562,409.47	$ 1,344,466.18	$ 874,682.45	**$ 469,783.72**
L-89-7	$ 522,854.22	$ 1,249,907.50	$ 813,164.49	**$ 436,743.00**
L-91-2	$ 135,000.00	$ 310,211.43	$ 190,040.77	**$ 120,170.65**
L-94-4	$ 1,609,905.75	$ 3,345,790.46	$ 2,049,885.64	**$ 1,295,904.81**
	$ 2,929,519.44	**$ 6,487,876.39**	**$ 4,082,286.59**	**$ 2,405,589.79**



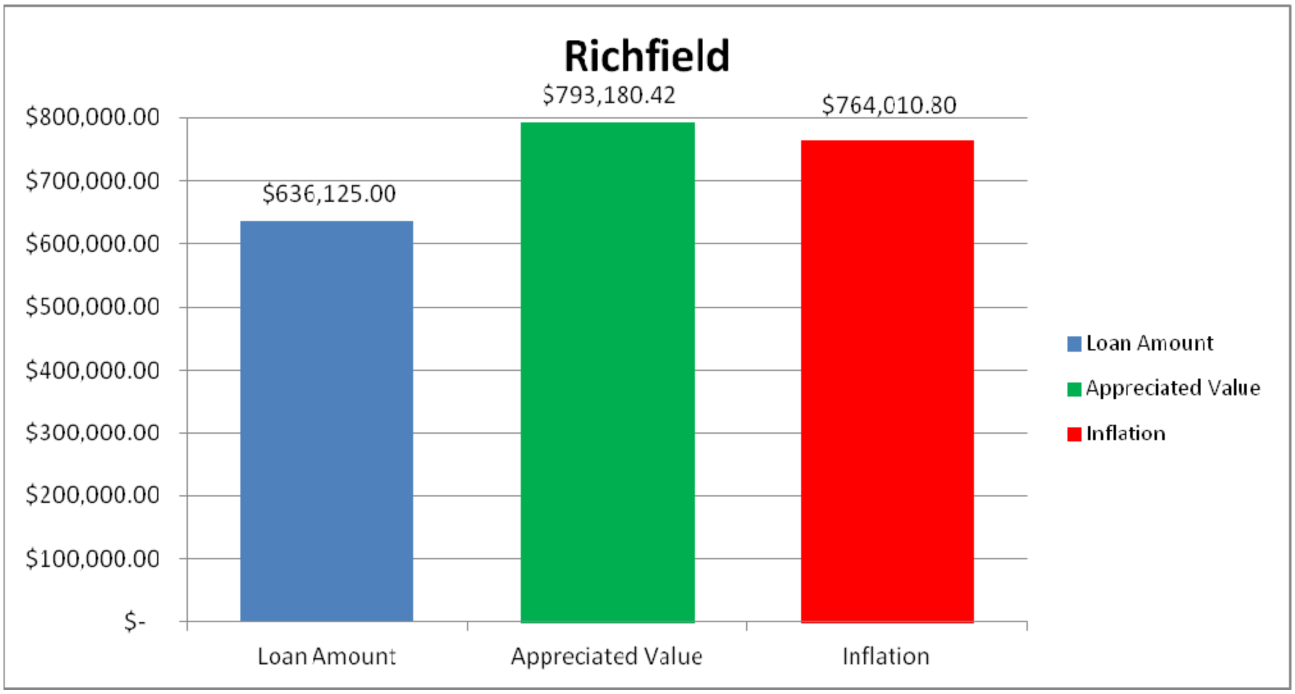
Inver Grove Heights

Loan Number	Loan Amount	Appreciated Value	Inflation	Net Gain
L-99-2	$ 730,776.31	$ 1,184,014.88	$ 824,961.29	**$ 359,053.59**
	$ 730,776.31	**$ 1,184,014.88**	**$ 824,961.29**	**$ 359,053.59**



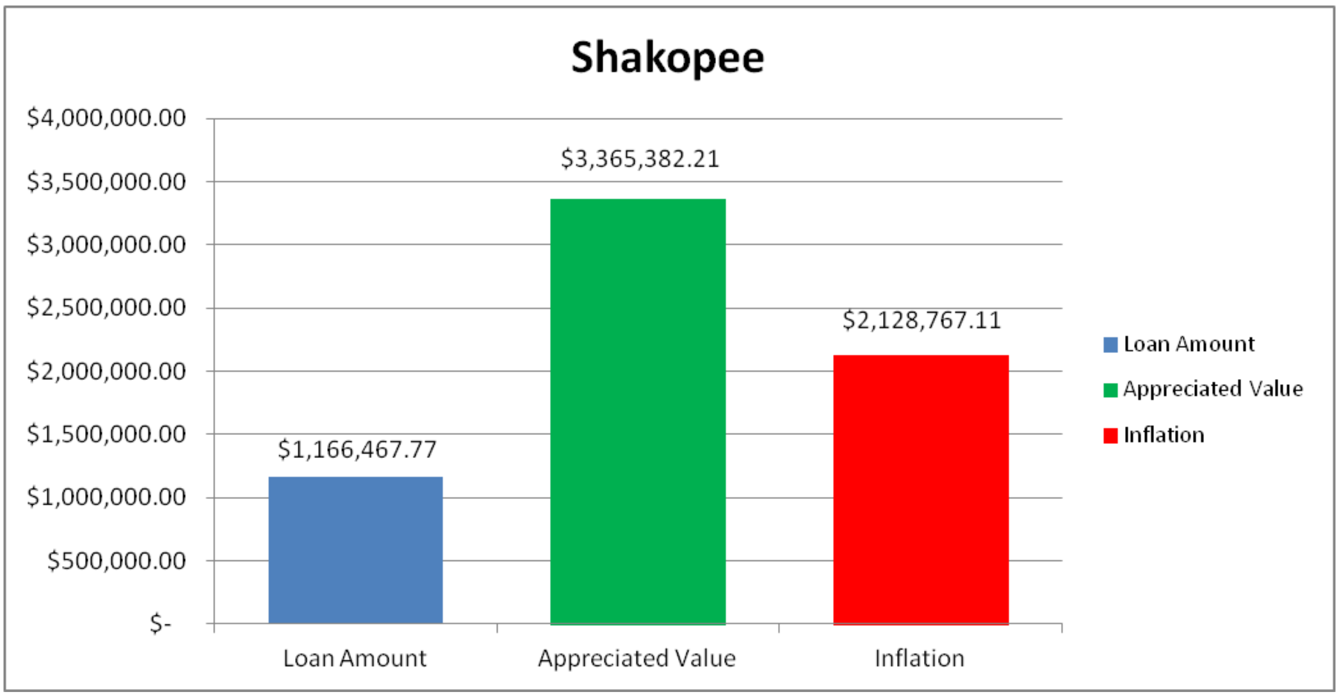
Richfield

Loan Number		Loan Amount		Appreciated Value		Inflation		Net Gain
L-90-3	$	84,000.00	$	106,843.09	$	106,274.22	**$**	**568.86**
L-90-4	$	148,000.00	$	188,247.34	$	187,245.06	**$**	**1,002.28**
L-91-6	$	103,050.00	$	130,590.39	$	123,696.11	**$**	**6,894.28**
L-92-2	$	110,525.00	$	134,909.56	$	127,309.02	**$**	**7,600.54**
L-92-9	$	100,000.00	$	122,062.48	$	115,185.72	**$**	**6,876.76**
L-92-11	$	90,550.00	$	110,527.58	$	104,300.67	**$**	**6,226.91**
	$	**636,125.00**	**$**	**793,180.42**	**$**	**764,010.80**	**$**	**29,169.63**



Shakopee

Loan Number		Loan Amount		Appreciated Value		Inflation		Net Gain
L-84-1	$	895,603.00	$	2,616,550.70	$	1,654,487.54	**$**	**962,063.16**
L-85-3	$	182,490.57	$	510,392.19	$	323,162.39	**$**	**187,229.80**
L-86-5	$	88,374.20	$	238,439.32	$	151,117.18	**$**	**87,322.15**
	$	**1,166,467.77**	**$**	**3,365,382.21**	**$**	**2,128,767.11**	**$**	**1,236,615.10**



Woodbury

Loan Number		Loan Amount		Appreciated Value		Inflation		Net Gain
L-91-5	$	247,613.00	$	660,602.67	$	369,969.79	**$**	**290,632.88**
	$	**247,613.00**	**$**	**660,602.67**	**$**	**369,969.79**	**$**	**290,632.88**