

RALF Program Assessment: Recommendations for Change

Transportation Committee, June 24, 2013



What is the Right-of-Way Acquisition Loan Fund (RALF) Program?

- 1982 state law established Council levy and loan fund to acquire key highway parcels that would otherwise be lost to development.
- Loans are made to municipalities to acquire and hold officially mapped highway rights-of-way.
- Loans are repaid after MnDOT acquires the right-of-way and before construction begins.

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Results of RALF Program

- Council-levied property tax yields about \$3.6 million per year.
- 113 loans made to 15 municipalities
- \$67 million in loans made
- \$21 million in loans repaid
- \$46 million in loans outstanding
- \$ 8 million currently available

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RALF Program Assessment Needed to:

- Ensure consistency with Transportation Policy Plan
- Evaluate financial effectiveness
- Determine future viability
- Make recommendations for program management

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Evaluation Process

- Summer 2010: RALF Program suspended
- Winter 2011-2012: Task Force reviews RALF program experience, suggests changes
- Summer/Fall 2012: Consultant evaluation of financial effectiveness of RALF program
- Spring 2013: Council staff prepares RALF Program Assessment Report

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Overall Finding

RALF has been beneficial to the region because it helps deliver a highway program in a cost-effective manner.

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Financial Evaluation Findings

- Repaid RALF loans show savings of \$17 million.
- Outstanding RALF loans show loss of \$10.7 million due to decline in real estate
- Undeveloped right-of-way or right-of-way likely to redevelop should be acquisition priority.
- Potentially foregone tax revenue is estimated to be \$4.34 million

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Recommendations

- Reinstate RALF program and modify to:
 - Evaluate each RALF loan request for consistency with TPP
 - Limit loans to hardship cases or parcels likely to develop or redevelop
 - Conduct annual program review

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Recommendations (continued)

In addition:

- Do not expand RALF for non-principal county roads
- Investigate expanding RALF program for transit and/or TOD
- Work with MnDOT to establish priorities for RALF acquisition of interchange rights-of-way.
- Update RALF program guidelines and process

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