

# Business Item

Transportation Committee



Committee Meeting Date: April 10, 2023

For the Metropolitan Council: April 26, 2023

## Business Item: 2023-80

Right-of-Way Acquisition Loan repayment from City of Bloomington and write-off for Parcels along I-35W south of I-494.

<b>District(s), Member(s):</b>	District 5, Cameron
<b>Policy/Legal Reference:</b>	Minn. Stat. § 473.167, Subd. 2
<b>Staff Prepared/Presented:</b>	Tony Fischer, Transportation Planner (651-602-1703) Amy Vennewitz, Deputy Director Transportation Planning (651-602-1058)
<b>Division/Department:</b>	MTS

### Proposed Action

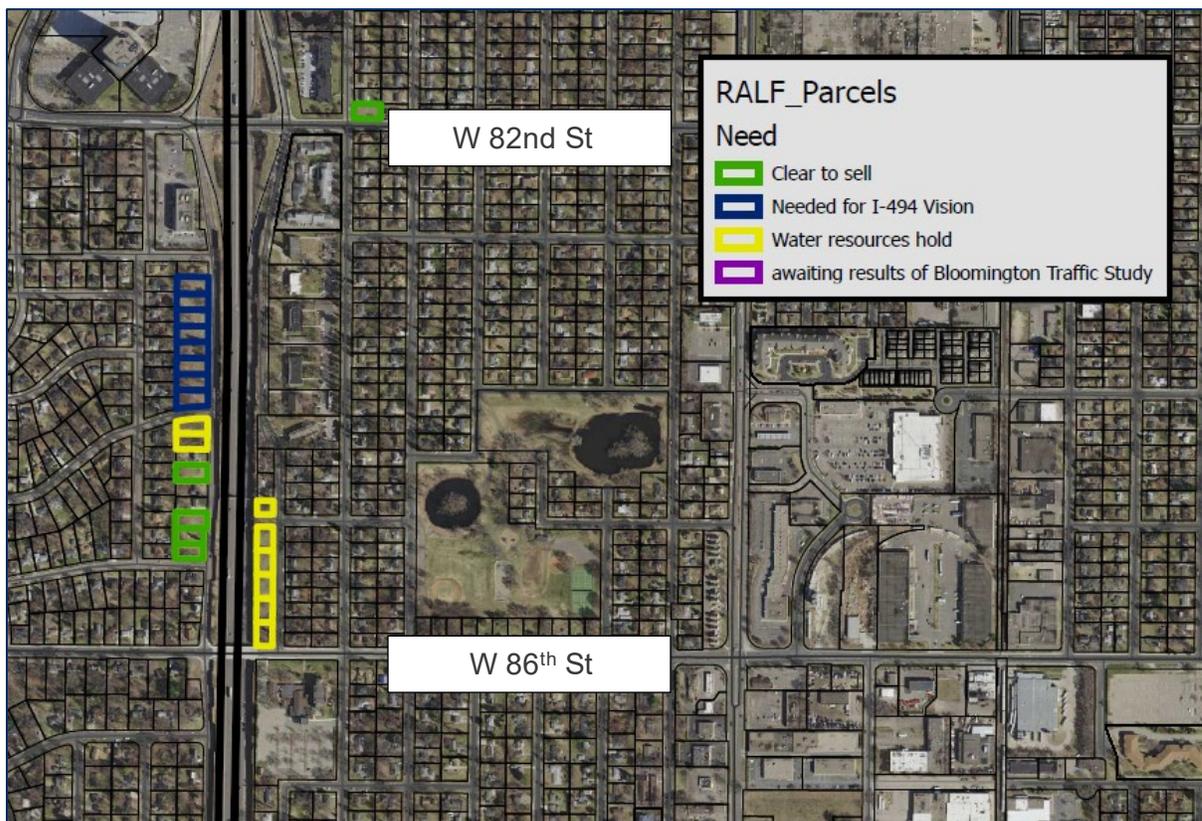
That the Metropolitan Council authorize the City of Bloomington to sell five parcels purchased with Right-of-Way Acquisition Loan Fund loan numbers L0804, L0402, L0406, L0607 and L0606 for the appraised values and forward those funds to the Council in satisfaction of these loans, and direct staff to write-off the remaining loan balances.

### Background

Minn. Stat. Section 473.167, Subd 2 established the Right-of-Way Acquisition Loan Fund (RALF) program to allow the Council to make loans to cities to purchase right-of-way needed for future highway use in advance of the land being developed or redeveloped, with the goal of avoiding more costly acquisitions.

The City of Bloomington (the City) holds 22 outstanding RALF loans totaling \$5.6 million on 22 parcels within the City (Figure 1). The City purchased these between 1999 and 2010 for anticipated improvements along I-35W south of I-494. At this time MnDOT anticipates needing 8 of these parcels for the I-494 vision and another 8 of these parcels for managing stormwater related to I-35W in the future. Another parcel at West 98<sup>th</sup> Street (not shown on this map) is the subject of a traffic study led by the City that will inform future discussions as to its disposition.

Figure 1: Bloomington RALF parcels along I-35W south of I-494



RALF loans are only given when there is near certainty that they will be needed in the future however since the time these were given the practice of improving highways has placed greater emphasis in reducing right-of-way needs for projects both to reduce costs and to reduce the impacts to the neighboring communities.

MnDOT has determined that the remaining five of these parcels purchased with five RALF loans are no longer expected to be needed for future highway improvements and cleared them for sale (Table 1). Council staff then requested that the City prepare to dispose of these by providing appraisals on each. The outstanding loan values total \$1,183,655.40 and the appraisals total \$549,000.



Table 1: Five Parcels Purchased with RALF Loans Cleared for Sale by MnDOT

<b>RALF Loan Number</b>	<b>Address</b>	<b>Outstanding Loan Balance</b>	<b>Appraised Values</b>	<b>Proposed Write-Off Values</b>
<b>L0606</b>	1210 82nd Street West	\$254,655.90	\$98,500.00	\$156,155.90
<b>L0804</b>	8422 Humboldt Avenue South	\$192,811.67	\$116,000.00	\$76,811.67
<b>L0402</b>	8440 Humboldt Avenue South	\$246,899.35	\$116,000.00	\$130,899.35
<b>L0406</b>	8446 Humboldt Avenue South	\$250,557.89	\$114,500.00	\$136,057.89
<b>L0607</b>	8452 Humboldt Avenue South	\$238,730.59	\$104,000.00	\$134,730.59
	<i>Sum</i>	<i>\$1,183,655.40</i>	<i>\$549,000.00</i>	<i>\$634,655.40</i>

There are several reasons that the appraised values fall short of the outstanding loan balances. These parcels were purchased by the City between 2004 and 2008, ahead of large drops in real estate values in 2008 and 2009. At least some of that drop in value has likely since recovered. The parcels contained single family homes which were demolished or moved to prepare for anticipated highway improvements. The RALF Loans each also included transaction costs from the time when the parcels were purchased.

Each of the five loan agreements between the Council and the City state that upon notice by the Council that the property is no longer needed for highway improvements, that the City shall seek approval by the Council to sell the property, then the City shall repay the Council the fair market value of the property as determined by the sale of the property and upon such payment the Council will discharge the loan.

On January 25, 2023, in a separate but related transaction, the Council awarded a Local Housing Incentive Account grant to the City in the amount of \$300,000 to aid in the purchase of four of these RALF parcels so that they may be developed into affordable homeownership opportunities.

Bloomington proposes to sell these five parcels to a mission-based organizations for affordable long-term homeownership for the appraised value of \$549,000 and forward these funds to the Council’s RALF fund in full satisfaction of these loans. Council staff will then write-off the remaining loan balance of \$634,655.40.

**Rationale**

The Council made these loans to the City to purchase property expected to be needed for improvements to I-35W. MnDOT no longer anticipates needing these parcels. Loan agreements between the Council and the City require that, upon Council approval, the City sell the parcels at market value and forward those funds to the Council in full satisfaction of the loans.

**Thrive Lens Analysis**

This action most directly affects and supports the Thrive outcome of Stewardship by supporting a program for the economic acquisition of right-of-way for highway improvements and in this case disposing of surplus property.



## **Funding**

This transaction includes five loan repayments. The RALF fund balance as of 12/31/2022 included \$24,595,664.81 in cash and investments, and \$32,874,973.12 in loans receivable. Loan repayments are anticipated to exceed fund outlays for the foreseeable future. All loans in this program are interest free as designated in Minn. Stat. § 473.167, subd. 2.

## **Small Business Inclusion**

Not applicable; the RALF program does not involve contracting.

