Right-of-Acquisition Loan Fund & BI 2024-63

Tony Fischer, MTS Planning Analyst April 8, 2024

RALF Program

- Program created in 1982 by Minnesota Statute
- Revolving loan fund established under a separate Council levy
- Interest free loans to cities and counties
- To purchase property needed for highway right-of-way (ROW) in advance of construction in order to save inflationary costs and avoid potential development
- Only property needed for MN state highways and principal arterials in the metropolitan area is eligible
- Originally intended for completion of highways on new alignments (e.g., MN 610) and targeted for undeveloped properties

Program Guidelines

- Project is not programmed but is likely to happen in the next 5-20 years
- Properties are at risk of appreciating significantly before the highway project will be built
- Highway project is consistent with the Transportation Policy Plan (TPP)
- Corridor is officially mapped - Properties are shown within the proposed route of a state trunk highway or principal arterial
- Current RALF requirements adopted by the Met Council in March 2014

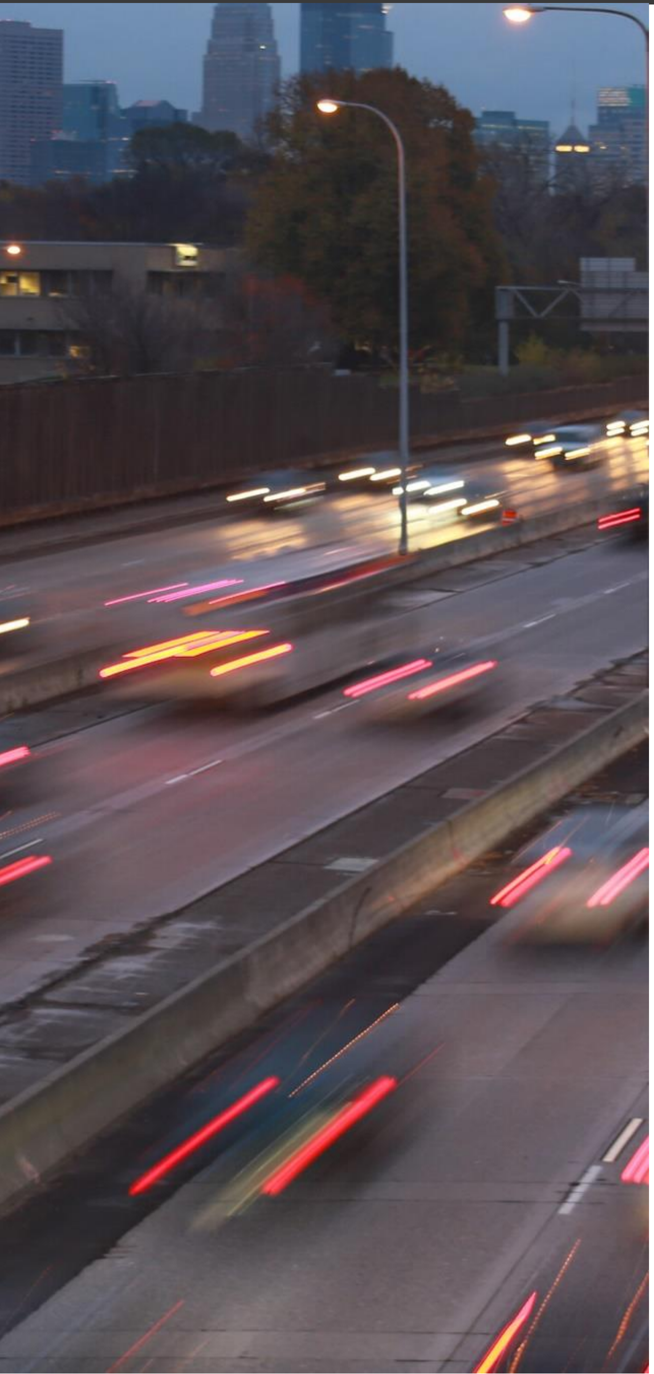
Metropolitan Council

Council Role

- Approve new loans
- Repayments
  - Approve partial loan repayments
  - Approve repayment/sale of parcels not needed for highway improvements
- Council action not required for repayment of loans used for intended highway purpose

Metropolitan Council

Recent Activities



- Reduced interest in program as less need for highway ROW
- In 2017 and 2021 loans to Lakeville for total of $1.8M
- City of Anoka repayments
  - BI 2022-300: $244,000 of $1.4M loan
  - 2 full loans, $940,000
- City of Ramsey repayments
  - BI 2023-11: $236,000 of $2.8M on 5 loans
  - 3 full loans, $2.6M
- City of Bloomington
  - BI 2023-80: 5 loans repaid at $549,000, $634,655.40 written off

Metropolitan Council

Status & Anticipated Activities

12/31/2023 Program Status

- 38 outstanding loans, $29.7M
- $28.9M cash balance

2024 Repayments Anticipated

- Maple Grove $2,911,633
- City of Ramsey, small part of a parcel

Hold for future highway projects

- $5.5M on 18 loans in Lakeville and Bloomington; MnDOT will repay before construction begins

To be determined if needed for highway improvements

- $16M on 18 loans in City of Anoka, City of Ramsey, Lakeville, Bloomington, Blaine and Chaska

Future RALF work

- Respond to requests for new loans and project repayments
- Work with MnDOT to determine which outstanding loans are needed for highway right-of-way
- Seek repayment for unneeded property
- Develop process for remaining fund balance
    - Needs stakeholder input
    - Council action
    - Legislative changes

Why Does RALF program accept losses?

Three possible loan outcomes:

1. Needed for a highway project
2. Partially needed for a highway project
3. Not needed for a highway project
    - MnDOT determination
    - Appraisal
    - Council approved sale

Minnesota Statute 473.167, Subdivision 2:

- “recipient shall sell the property at market value”
- “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.”

Loan agreements:

- “The Recipient shall repay to the Council…the fair market value of the property as determined by sale of the property...Upon payment of the specified amount, the Council will discharge the loan.”

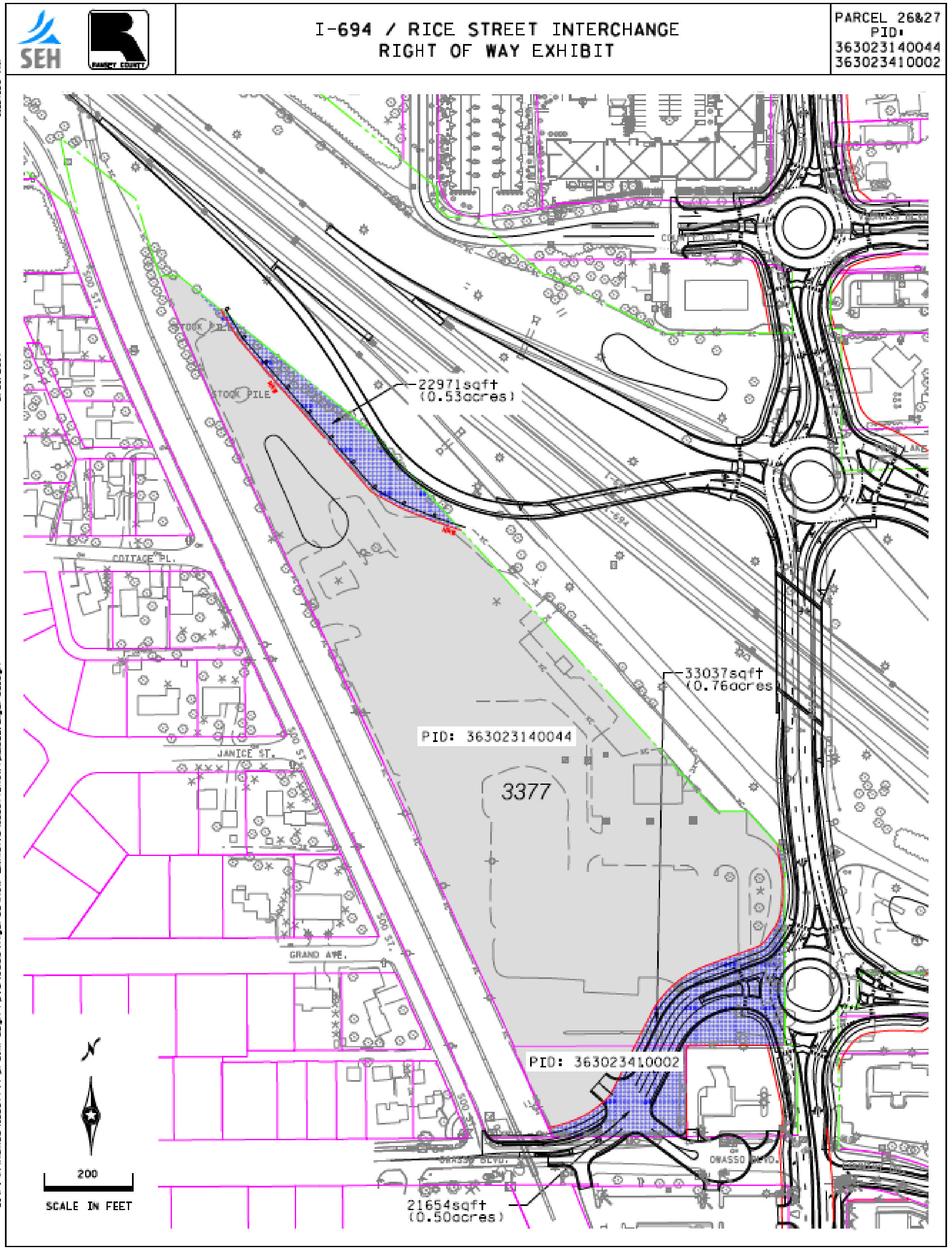
Metropolitan Council

Business Item Action

Business Item 2024-63

- **Proposed repayment of $4,809,360 on $5,207,211 outstanding, write-off difference**
- **Why losses in this case?**
    - Market timing (purchased in 2006)
    - Development trends & interest rate environment

Proposed Action
That the Metropolitan Council authorize the City of Shoreview to sell one parcel purchased with Right-of-Way Acquisition Loan Fund loan number L0614 for the agreed upon value, forward those funds to the Council in satisfaction of this loan, and direct staff to write-off the remaining loan balance.



Metropolitan Council

Questions?

Tony Fischer

Transportation Planner, MTS

METROPOLITAN COUNCIL