

Business Item

Transportation Committee



Committee Meeting Date: April 8, 2024

For the Metropolitan Council: April 24, 2024

Business Item: 2024-63

Right-of-Way Acquisition Loan repayment from City of Shoreview and write-off for Parcel at I-694 and Rice Street.

District(s), Member(s):	District 10, Lindstrom
Policy/Legal Reference:	Minn. Stat. § 473.167, Subd. 2
Staff Prepared/Presented:	Tony Fischer, Transportation Planner (651-602-1703) Amy Vennewitz, Deputy Director Transportation Planning (651-602-1058)
Division/Department:	MTS

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.

Background

Minn. Stat. Section 473.167, subdivision 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.

In 2006 the City of Shoreview (the City) purchased a former Ramsey County public works site through the RALF program that was anticipated to be used for future interchange improvements in the vicinity of Interstate 694 and Rice Street. Under this program the Met Council made a loan to the City for \$6,012,176.00 to pay for the purchase price (\$6,000,000) and transaction costs of this purchase (\$12,176).

RALF loans are only given when there is near certainty that the property will be needed in the future; however, in the years following the issuance of this loan, road authorities, including counties and MnDOT, have reduced right-of-way needs for projects to both reduce costs and the impacts to the neighboring communities.

Ramsey County revised the anticipated interchange design work for this interchange. The redesign eliminated the planned traffic loop, which would have utilized this RALF parcel in the southwest quadrant of the interchange, resulting in a much smaller interchange footprint. In 2018, Ramsey County acquired small portions of the parcel (78,850 square feet) that were necessary for the new design (shown in blue in Figure 1) and repaid the loan in proportion to the part of the RALF parcel utilized (\$804,965). The remaining outstanding balance remains today \$5,207,211. The remaining RALF acquired property is shown in grey in Figure 1.

In 2022, the City proposed to issue a Request for Interest and Qualifications for proposals from qualified developers to purchase and redevelop the remaining RALF parcel. Council staff agreed to

this approach as it would allow the City to guide land use at this location. The City ultimately selected Enclave Companies as the preferred developer for the redevelopment project. In today's market the highest and best use of this site is high density residential, and the proposal provided by Enclave provided more density than other proposals.

The RALF loan agreement between the Council and the City provides that, when RALF property is no longer needed for highway improvements, the City obtains the Council's approval to sell it, with the fair market value being determined by the sale of the property. Upon remittance of the sale proceeds to the Council, the Council discharges the RALF loan.

In 2023, the City and the Met Council staff ordered appraisals of the property to determine the market value of the remaining RALF parcel as required by Minn. Stat. Section 473.167, subdivision 2. An appraisal is an independent opinion of value and often represents a range in value. It is based on historical information and a helpful tool, but it is not always a perfect indication of true market value, which is what the property would sell for on the open market. Since the Enclave RFIQ was selected in early 2023, market conditions have changed with interest rates rising and new development stalling. The City has proposed to repay the RALF loan with \$4,809,360 and that the Met Council would write off the remaining loan balance of \$397,851. The proposed property sale price falls within the valuation range of the appraisals conducted by both parties. Met Council staff has evaluated the proposed repayment and recommends that it be accepted as fair market value of the property.

Separately, the Met Council awarded the City a Tax Base Revitalization Account grant of \$147,800 to clean up contaminated soil on the parcel. The City also applied for a \$2 million Livable Communities Demonstration Account grant but was not successful.

Rationale

The Council made this loan to the City to purchase property expected to be needed for improvements to the I-694/Rice Street interchange. While highway improvements have been made on the RALF parcel, only a small part of the parcel was utilized for the highway improvements. The loan agreement between the Met Council and the City requires that, upon Council approval, the City sell the excess RALF parcel at market value and forward those funds to the Council in full satisfaction of the loan.

Thrive Lens Analysis

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

Funding

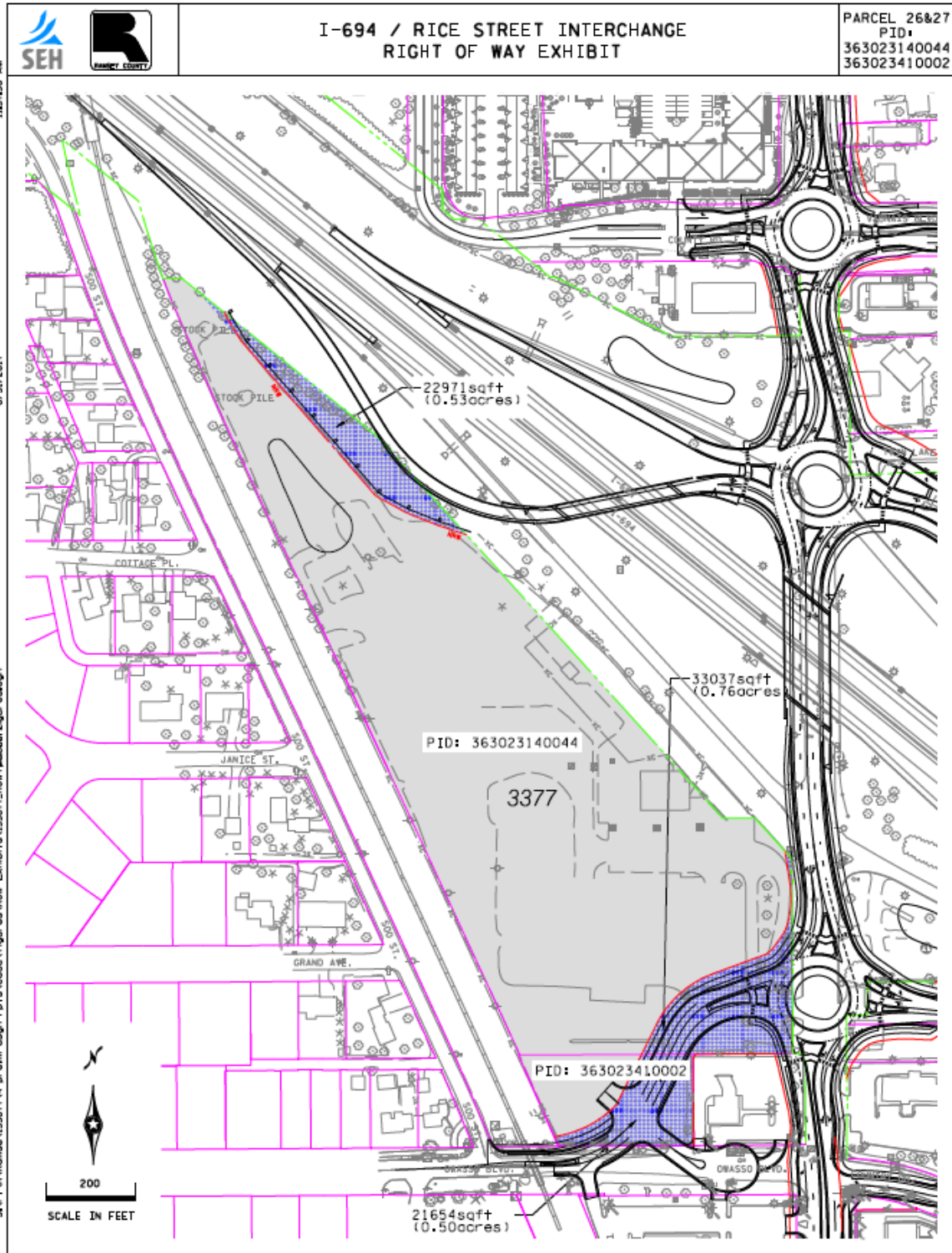
This transaction includes a loan repayment of \$4,809,360 as determined by the City's and Council's separate appraisals and a proposed RALF program write-off of \$397,851. The RALF fund balance as of 12/31/2023 included \$28,859,187 in cash and investments, and \$29,675,142 in loans receivable. Loan repayments are anticipated to exceed fund outlays for the foreseeable future. RALF loans are interest free, as provided in Minn. Stat. Section 473.167, subdivision 2.

Small Business Inclusion

The proposed action has no direct impact to small business inclusion as there are no contracting or subcontracting opportunities.



Figure 1: Shoreview RALF Parcel and Interchange Design



Metropolitan Council