

T Transportation Committee

Meeting date: May 12, 2008

For Council meeting: May 21, 2008

ADVISORY INFORMATION

Date: May 1, 2008
Subject: Disposition of Surplus Hiawatha Corridor Property
District(s), Member(s) Lynette Wittsack, District 8
Policy/Legal Reference: Minnesota Statute 473.129
Staff Prepared/Presented: Brian Lamb, General Manager (612-349-7510)
 Tom Thorstenson, Director, Engrg & Construction (612-349-7689)
 Guy Peterson, Director, Comm. Development Div (651-602-1418)
Division/Department: Metro Transit

Proposed Action

That the Metropolitan Council determines that the Council’s priorities and objectives will be better served by disposing of the 32nd Street/Hiawatha Avenue property in the manner provided in this business item and that the Metropolitan Council authorize the Regional Administrator to proceed with the sale of a property previously deemed surplus by the Metropolitan Council on February 6, 2006, located at 32nd Street and Hiawatha Avenue to Clare Housing and Wellington Management for \$1,200,000 contingent upon approval of the sale by the Federal Transit Administration (FTA).

Background

On February 8, 2006, the Council adopted a policy addressing the declaration and disposition of surplus property to facilitate efforts to sell four specific Hiawatha Corridor Light Rail Transit properties no longer needed for transit operations and identified as “surplus” parcels. This policy reads as follows:

The Council may determine from time to time that certain real property is no longer needed for Council purposes and that such real property shall be considered “surplus.” The Council may dispose of such real property, subject to applicable laws and regulations including Minnesota Statutes 473.129. The Council may sell such surplus real property to the highest bidder through a public bidding process, for no less than the appraised market value; unless the Council determines that the Council’s priorities or objectives would be better served by disposing of the property in some other manner authorized by law.

Rationale

A formal Invitation for Bids (IFB) was issued December 3, 2007, for the surplus Light Rail Transit parcel at 32nd Street and Hiawatha.

One bid of \$500,100 was received for this parcel from Clare Housing. This parcel had been appraised at \$1,695,000 in late 2007. A recommendation that the Regional Administrator be authorized to reject this bid of \$500,100 will be acted upon by the Council on May 14.

On April 22, 2008, staff received an unsolicited bid from Clare Housing and Wellington Management to acquire the parcel for \$1,200,000. Metro Transit staff has asked the FTA to approve the sale of this parcel for less than its appraised value for several reasons:

- Limitations of development potential arising from existing cul-de-sacs at the northern and southern edges of the parcel; its irregular, triangular shape; and the proximity of two existing homes adjacent to the parcel;
- The need to relocate public utilities crossing the site to accommodate new development if reconfigured street access is necessary for development;

- The expectation that much of the site will not be developed immediately given current slowed market conditions and the holding and maintenance costs this will require:
- The expectation that private development of the site for higher density housing will likely require additional public subsidies based upon construction costs and market conditions.

In addition to this issue of approving the sale amount, the FTA has been asked to approve retention by Metro Transit, of the federal portion of the sale amount, 69%, which would be \$828,000, to be used as an offset to a FTA grant that will be identified in the next round of grant submittals.

Funding

Funds gained from the sale of this parcel will be a significant contribution to the capital needs of Metro Transit.

Known Support / Opposition

The city of Minneapolis planning staff supports the sale of the parcel to these two parties.