Committee Report

Community Development Committee

Item: 2007-221

For the Metropolitan Council meeting of January 9, 2008

ADVISORY INFORMATION

Date Prepared: December 18, 2007

Subject: Evaluating Land Acquisition Opportunity Fund Distribution Rules

Proposed Action:

1. That the Metropolitan Council adopt the following rules for distributing grants from the Park Acquisition Opportunity Fund. The rules are effective from their date of adoption to June 30, 2008.

    A. Grants from the Park Acquisition Opportunity Fund may only be awarded to finance a portion of the cost to acquire land within Metropolitan Council-approved master plan boundaries, and only after the requesting regional park implementing agency has used available acquisition grant funds previously provided by the Metropolitan Council.

    B. Any interest cost on a contract for deed or other timed payment plan is not eligible for grant funding. The value of a discounted sale (i.e. the difference between the appraised value and a reduced sale price) is not counted as part of the cost to acquire land and is not included as part of a local match to the grant.

    C. Grants from the Park Acquisition Opportunity Fund may finance a portion of the actual cost to acquire land after deducting any Metropolitan Council grants used to finance a portion of the cost in one of two options as chosen by the requesting regional park implementing agency:

    Option 1, Existing Rule:

    The Park Acquisition Opportunity Fund Grant finances up to 40% of the net cost of acquiring the land which is defined as the purchase price—not the appraised value; legal fees, appraisal costs and other closing costs incurred by the park agency; the property tax equivalency payment due to the city or township; and stewardship costs.

    That portion of the remaining 60% or more of the net cost to acquire the land as defined above that is financed by regional park implementing agency funds—not grants from other sources--may be eligible for reimbursement consideration in future Metropolitan Council regional park capital improvement programs.

    The maximum grant(s) available to a park agency under Option 1 is $1 million.

    Option 2, Revised Rule:

    The Park Acquisition Opportunity Fund Grant finances up to 75% of the net cost of acquiring the land which is defined as the purchase price—not the appraised value; legal fees, appraisal costs and other closing costs incurred by the park agency; the property tax equivalency payment due to the city or township; and stewardship costs.

    A maximum contribution of 25% of the net cost of acquiring the land as defined above that is financed by regional park implementing agency funds—not grants from other sources--is not eligible for reimbursement consideration by the Metropolitan Council. Any contribution above 25% that is financed with regional park implementing agency funds is eligible for reimbursement consideration by the Metropolitan Council.

The maximum grant(s) available to a park agency under Option 2 is $1.7 million.

D. Once a park agency chooses an option for an Acquisition Opportunity Grant, it is limited to using that option and associated agency limit for any future grants until these rules expire on June 30, 2008.

2. That the Metropolitan Council reconsider the rules cited in Recommendation 1 for the period after June 30, 2008 once the Legislature has considered an appropriation of Environment and Natural Resources Trust Fund revenue to the Park Acquisition Opportunity Fund.

Summary of Committee Discussion / Questions:

Staff noted that since the report to the Committee had been prepared that an additional rule should be considered—specifically point D in recommendation 1. The premise for this rule is that once a park agency chose an option for receiving a grant from the Fund, the amount an agency could receive that was associated with that option would apply to any future grant request until the rules expired on June 30, 2008. For example, a park agency could choose a grant under Option 1 that resulted in the agency receiving $600,000. That agency could request a second grant of up to $400,000 for another parcel under Option 1 since the total amount an agency could request from the Fund is limited to $1 million under that option.

The Committee asked why the rules for distributing grants from the Acquisition Opportunity Fund would need to be reconsidered as shown in the second recommendation. Staff replied that the Metropolitan Parks and Open Space Commission recommended two options for obtaining a grant from the Fund—using the existing rules under Option 1 and revised rules under Option 2. The transition to the revised rules should be for a limited time. Furthermore, the amount an agency could request from the Fund during a specified time period would need to be reviewed and likely be revised based on the amount of money in the Acquisition Opportunity Fund and the demand for grants from the Fund at that time. Additional money for the Fund is expected to be appropriated by the 2008 Legislature and be available after June 30, 2008. Once that appropriation is determined, then a recommendation on the amount an agency could request from the Fund would be made for grants authorized after June 30, 2008 as well as a recommendation regarding the percentage of acquisition costs a grant would cover and the local non-reimbursable match.

The Committee unanimously approved the recommendations.

Business Item

Item: 2007-221

Community Development Committee

Meeting date: December 17, 2007

ADVISORY INFORMATION	
Date:	December 5, 2007
Subject:	Evaluating Land Acquisition Opportunity Fund Distribution Rules
District(s), Member(s):	All
Policy/Legal Reference:	MS 473.315
Staff Prepared/Presented:	Arne Stefferud, Planning Analyst-Parks, 651-602-1360
Division/Department:	Community Development Division

Proposed Action

1. That the Metropolitan Council adopt the following rules for distributing grants from the Park Acquisition Opportunity Fund. The rules are effective from their date of adoption to June 30, 2008.

A. Grants from the Park Acquisition Opportunity Fund may only be awarded to finance a portion of the cost to acquire land within Metropolitan Council-approved master plan boundaries, and only after the requesting regional park implementing agency has used available acquisition grant funds previously provided by the Metropolitan Council.

B. Any interest cost on a contract for deed or other timed payment plan is not eligible for grant funding. The value of a discounted sale (i.e. the difference between the appraised value and a reduced sale price) is not counted as part of the cost to acquire land and is not included as part of a local match to the grant.

C. Grants from the Park Acquisition Opportunity Fund may finance a portion of the actual cost to acquire land after deducting any Metropolitan Council grants used to finance a portion of the cost in one of two options as chosen by the requesting regional park implementing agency:

<u>Option 1, Existing Rule:</u>

The Park Acquisition Opportunity Fund Grant finances up to 40% of the net cost of acquiring the land which is defined as the purchase price—not the appraised value; legal fees, appraisal costs and other closing costs incurred by the park agency; the property tax equivalency payment due to the city or township; and stewardship costs.

That portion of the remaining 60% or more of the net cost to acquire the land as defined above that is financed by regional park implementing agency funds—not grants from other sources--may be eligible for reimbursement consideration in future Metropolitan Council regional park capital improvement programs.

The maximum grant(s) available to a park agency under Option 1 is $1 million.

<u>Option 2, Revised Rule</u>:

The Park Acquisition Opportunity Fund Grant finances up to 75% of the net cost of acquiring the land which is defined as the purchase price—not the appraised value; legal fees, appraisal costs and other closing costs incurred by the park agency; the property tax equivalency payment due to the city or township; and stewardship costs.

A maximum contribution of 25% of the net cost of acquiring the land as defined above that is financed by regional park implementing agency funds—not grants from other sources--is not eligible for reimbursement consideration by the Metropolitan Council. Any contribution above 25% that is financed with regional park implementing agency funds is eligible for reimbursement consideration by the Metropolitan Council.

The maximum grant(s) available to a park agency under Option 2 is $1.7 million.

2. That the Metropolitan Council reconsider the rules cited in Recommendation 1 for the period after June 30, 2008 once the Legislature has considered an appropriation of Environment and Natural Resources Trust Fund revenue to the Park Acquisition Opportunity Fund.

Background

Since 2001, the Metropolitan Council has provided $7.4 million in grants to regional park agencies to partially finance the cost of acquiring about 1,200 acres of land for the regional park system under the Park Acquisition Opportunity Fund ("Fund"). The grants were authorized under rules that allowed up to 40% of the acquisition costs to be financed with a grant from the Fund, with a limit of $1 million per agency. The grants financed about 24% of the $31 million costs to acquire that land. The Council allowed local matching funds provided by park agencies –not grants from other sources—to be eligible for reimbursement consideration in future regional park capital improvement programs. About $15.1 million, or 48% of the total costs to acquire the land, was allowed to be eligible for reimbursement consideration.

The Metropolitan Parks and Open Space Commission met on November 13 and December 4, 2007 to consider revisions to the rules shown in Option 2. The Commission received comments from Carver County, the Minneapolis Park & Recreation Board, and the City of St. Paul (attached) at the December 4 meeting, plus heard comments from staff representing Dakota County, City of Bloomington, Scott County, Ramsey County and Three Rivers Park District at one or both meetings.

The Commission could not make a formal recommendation at its December 4 meeting due to lack of a quorum. However, the members present at that meeting requested staff to submit this report to the Community Development Committee with the recommendation shown above.

Rationale

The rationale for revising the rules for awarding grants from the Fund as shown under Option 2 is:

1. More closely align the demand for projected grants from the Fund with revenue in the Fund.
2. Increase funds available for acquisition.
3. Decrease the amount that's eligible for reimbursement consideration
4. Encourage a local contribution to regional park acquisition since residents of the acquiring agency receive the largest benefit of all taxpayers who help finance the Council's grant

Funding

The Acquisition Opportunity Fund is financed with bonds issued by the Metropolitan Council that are not needed to match State bond appropriations for the regional parks capital improvement program. Plus, appropriations from the State's Environment and Natural Resources Trust Fund have been used for this purpose.

The following table illustrates its component accounts and the current balance in the Fund; additional Council bonds to be added to the Fund in early 2008; the projected grants that may be awarded by June 30, 2008 if Option 2 is used; and the projected balance in the Fund on June 30, 2008.

Park Acquisition Opportunity Fund

State Acquisition Grant Account	
Environment and Natural Resources Trust Fund (ENRTF)	$1,790,744
Metropolitan Council bonds matched to ENRTF	$1,193,620
State Acquisition Grant Account SUBTOTAL	$2,983,906
Land Acquisition Opportunity Account (Metropolitan Council bonds)	$1,382,160
CURRENT FUND BALANCE OF BOTH ACCOUNTS	$4,366,066
Additional Council bonds to be added to Fund in early 2008	$3,000,000
Projected Grants that May be Awarded by June 30, 2008 under Option 2	($4,900,000)
PROJECTED FUND BALANCE on June 30, 2008	**$2,466,066**

Known Support / Opposition

As noted in the Background section, written comments were submitted by Carver County (Attachment 1), the Minneapolis Park & Recreation Board (Attachment 2) and the City of St. Paul (Attachment 3) that supported the increased grant amount share proposed under Option 2, but they opposed the ineligibility of receiving reimbursements for the local match through the regional parks capital improvement program. Carver County's comments also suggested a transition in which agencies could request a smaller grant with the potential for being reimbursed for the park agency's local match as proposed under Option 1, or a larger grant with no reimbursement of the local match as proposed under Option 2.

Attachment 1: Letter from Carver County dated November 21, 2007

CARVER COUNTY PARKS

11360 Highway 212 West, Suite 2
Cologne, Minnesota 55322
Phone (952) 466-5250 Fax (952) 466-5223
www.co.carver.mn.us/parks

Department of Public Works

11360 Hwy. 212 West, Suite 1
Cologne, Minnesota 55322
Phone (952) 466-5200
Fax (952) 466-5223

November 21, 2007

Chair Glen Skovholt
MPOSC
Metropolitan Council
390 North Robert Street
St. Paul, MN 55101

Re: Acquisition Opportunity Funding

Dear Glen:

Carver County is working to close on a multi million dollar land purchase within the boundary of Lake Waconia Regional Park. The proposed Acquisition Opportunity Fund change requiring a 25% local match would impact the 2008 budget process if applied to this parcel. Carver County has already established its maximum levy limit and can not consider increasing the levy to cover the proposed local match.

If the proposed Acquisition Opportunity Fund method is supported, Carver County requests that Implementing Agencies be allowed to continue to utilize the Metropolitan Council CIP allocations for reimbursement and as the local match to the Acquisition Opportunity Fund. Implementing Agencies should be allowed to continue to determine their priority for use of CIP funds from the Metropolitan Council. Allowing agencies to determine priority for reimbursement, development and acquisition is in keeping with past discussions concerning the use of CIP allocations.

If the proposed Acquisition Opportunity Fund requires a matching amount, I would suggest that a transition period be established allowing agencies in the midst of acquiring land be allowed to complete the acquisition under the existing rules.

Sincerely,

Martin J. Walsh
Parks Director

cc Robert Moeller
Arne Stefferud
Dave Hemze

S/Parks/MPOSC/Acquisition Opportunity Fund-Glen Skovholt Revised

Attachment 2: Letter from Minneapolis Park & Recreation Board dated November 30, 2007

Minneapolis Park and Recreation Board

Administrative Offices
2117 West River Road
Minneapolis, MN 55411-2227
Phone: 612-230-6400
Fax: 612-230-6500

Operations Center
3800 Bryant Avenue South
Minneapolis, MN 55409-1000
Phone: 612-370-4900
Fax: 612-370-4831

November 30, 2007

Mr. Glen Skovholt, Chair
Metropolitan Park and Open Space Commission
Metropolitan Council
390 North Robert Strret
St. Paul, MN 55101

RE: (2007-221) Evaluating Land Acquisition Opportunity Fund Distribution Rules

Dear Mr. Skovholt: Glen

Thank you for the extended opportunity to comment on the Item 5 of the Dec. 4, 2007 agenda item for the Metropolitan Park and Open Space Commission (MPOSC) meeting. As you know, funding for regional park projects is in short supply for all Implementing Agencies (IAs)! We therefore applaud the MPOSC's efforts in considering policy adjustments to make the available funding go farther. For this agenda item, our position on the individual components is as follows:

Changing the IA match requirement from 60% to 25% is huge, and headed in the right direction, i.e., DOWN!

Increasing the amount available from $1,000,000 to $1,700,000 is also the right strategy in these times of ever increasing real estate prices.

Making funds an IA expends beyond it's minimum 25% match requirement eligible for reimbursement in an IAs CIP is also good. We believe the policy changes enacted earlier this year that enabled IAs to prioritize their own projects in the CIP, to receive their entire allocation and to not be bumped by other's projects, should enable each IA to also prioritize reimbursement of their 25% of an acquisition match in the CIP, if they believe that is the best way to go for them!

It goes along with the philosophy that the individual IAs know what's best for their system, and how to best balance the funding needs of acquisitions, development and rehabilitation. If an IA can't get reimbursed for those funds if needed, their entire program could grind to a halt!

Should you wish to discuss this with me further, please feel free to contact me at 612-230-6400.

Sincerely,

Jon Gurban
Superintendent

cc: Jon Olson, President
Carol Kummer, Intergovernmental Chair
Michael Rainville, Commissioner
Michael P. Schmidt, General Manager of Operations
Judd Rietkerk, Director of Planning & Project Management
Brian Rice, Counsel
Mike Kimble, Community & Government Relations Coordinator

Attachment 3: Letter from City of St. Paul dated December 4, 2007

DIVISION OF PARKS AND RECREATION

CITY OF SAINT PAUL
Mayor Christopher B. Coleman

300 City Hall Annex
25 West Fourth Street
Saint Paul, Minnesota 55102
www.ci.stpaul.mn.us/depts/parks

Telephone: 651-266-6400
Facsimile: 651-292-7405

December 4, 2007

Mr. Glen Skovholt, Chair
Metropolitan Park and Open space Commission
Metropolitan Council
390 North Robert Street
St. Paul, MN 55101

RE: (2007-221) Evaluating Land Acquisition Opportunity Fund Distribution Rules

Dear Mr. Skovholt:

Saint Paul Parks and Recreation appreciates the opportunity to comment on the proposed Land Acquisition Opportunity Fund Distribution Rules.

As you know, in a built up, established city such as St. Paul, land acquisition is extremely expensive and affordable opportunities are rare. We are, however, currently in the process of negotiating a couple of land acquisition proposals that, if successful, will greatly benefit the residents of Saint Paul.

The proposed changes to the acquisition policy will certainly help us meet our acquisition goals and we are therefore very much in favor of changing the Implementing Agency's contribution to 25% instead of the previous 60% and increasing the amount available from $1,000,000 to $1, 700,000.

We are less in favor of the change that would eliminate our ability to determine our City's funding priorities by allowing reimbursement from future CIP allocations. We believe we would generally try and meet the 25% match through non- reimbursement but the option to do so should still lie with the implementing agency. This will allow us the most flexibility to balance ever growing and changing needs within our great park system.

Please contact me at 651-266-6409 should you wish to discuss this further.

Sincerely,

Bob Bierscheeid

Bob Bierscheeid, CPRP
Director

CC: Jody Martinez
Wendy Underwood
Emily Barbeau

METROPOLITAN COUNCIL
390 North Robert Street, St. Paul, MN 55101
Phone (651) 602-1000 TDD (651) 291-0904

DATE: November 1, 2007

TO: Metropolitan Parks and Open Space Commission

FROM: Arne Stefferud, Planning Analyst-Parks (651-602-1360)

SUBJECT: (2007-221) Evaluating Land Acquisition Opportunity Fund Distribution Rules

INTRODUCTION

Since 2001, the Metropolitan Council has provided about $7 million in grants to regional park agencies to partially finance the cost of acquiring land for the regional park system under the Park Acquisition Opportunity Fund ("Fund").

This past summer park agencies submitted projected cost data on land they were likely able to purchase within approved master plan boundaries. That data was analyzed against the amount of money in the Fund to determine what, if any, changes should be proposed for distributing grants from it.

ANALYSIS

The following rules are proposed for the MPOSC and the Metropolitan Council to consider:

1. Increase the amount a park agency can request from the Fund to $1.7 million for the period beginning when these rules are adopted to June 30, 2008. The current limit is $1 million. The change is proposed because with the addition of $2.5 million of Environment and Natural Resources Trust Fund (ENRTF) money to the Fund in 2007, plus $3 million of Council bonds which will be added to the Fund in 2008, it is possible to provide a larger amount to a park agency. This rule will be reconsidered after we know the amount of ENRTF money appropriated in 2008. The Legislative Citizens Commission has recommended $1.5 million of ENRTF be appropriated in 2008.

2. Change the amount of acquisition costs the Acquisition Opportunity Fund grant will cover to a maximum of 75% instead of 40%, and require park agencies to provide a local match of 25% instead of 60%. This change is also proposed based on aligning demand for grants from the Fund with revenue in the Fund.

3. Require the 25% local match to <u>not be eligible for reimbursement consideration</u> via a future regional parks capital improvement program (CIP). Currently the 60% local match is eligible for reimbursement consideration via the parks CIP. This change is proposed to balance the increase in the amount of costs a grant will finance against requiring park agencies to contribute financially to an acquisition. It will also reduce the amount of eligible reimbursement costs in future regional parks capital improvement programs.

4. Allow any local match above 25% to be eligible for reimbursement consideration in a future regional parks CIP. Under these rules if the acquisition cost for an agency exceeds $2.375 million, the park agency's local share would be greater than 25% of the total cost since the grant amount per agency is limited to $1.7 million. In those cases, park agencies should be allowed to request reimbursement consideration in the regional parks CIP for local match amounts <u>above</u> 25% of an acquisition's costs.

For example, an acquisition that exceeds $2.375 million would affect a park agency's local match as follows:

$2.7 million total acquisition cost
$1.7 million maximum Acquisition Opportunity Fund grant (63%)
$1.0 million local match (37%)

To level the affect of the policy across all park agencies, $675,000 of the $1 million local match would not be eligible for CIP reimbursement since it is 25% of the total $2.7 million cost, but $325,000 of the $1 million local match would be eligible for CIP reimbursement consideration since it exceeds 25% of the total acquisition cost for this parcel.

These rule changes will likely increase the amount of land that can be acquired by increasing grant funds --both the amount per agency and the percentage of an acquisition's cost.

CONCLUSIONS

1. Rules for distributing grants from the Park Acquisition Opportunity Fund should be evaluated to best distribute revenue in the Fund to meet demand for grants. The rules have to be applied equitably to all regional park agencies.

2. Based on an analysis of demand for grants from the Fund against revenue in the Fund, an increase in the amount an agency can request from the Fund, plus an increase in the percentage of acquisition costs financed with a grant with a proportional decrease in the local match are appropriate.

3. The maximum non-reimbursable match per agency should be limited to 25% of acquisition costs.

RECOMMENDATIONS

1. That the Metropolitan Council adopt the following rules for distributing grants from the Acquisition Opportunity Fund. The rules are effective from their date of adoption to June 30, 2008.

A. The amount a park agency can request from the Fund is $1.7 million for the period beginning when these rules are adopted to June 30, 2008.

B. The Acquisition Opportunity Fund grant will cover a maximum of 75% of acquisition costs.

C. The 25% local match of an acquisition is <u>not eligible for reimbursement consideration</u> via a future regional parks capital improvement program (CIP).

D. Any local match above 25% of acquisition costs is eligible for reimbursement consideration in a future regional parks CIP.

2. That the Metropolitan Council reconsider the rules cited in Recommendation 1 in 2008 after the Legislature has considered an appropriation of Environment and Natural Resources Trust Fund revenue to the Acquisition Opportunity Fund.