Committee Report
Item: 2010-157
Consent

T Transportation Committee

For the Metropolitan Council meeting of June 23, 2010

ADVISORY INFORMATION

Date Prepared:	June 15, 2010
Subject:	Right-of-Way Acquisition Loan Fund (RALF) Program Review

Proposed Action:

That the Metropolitan Council suspend granting RALF loans pending completion of the Metropolitan Highway System Investment Study (MHSIS) and reassessment of the RALF program.

Summary of Committee Discussion / Questions:

Ann Braden, MTS Senior Planner, presented this item to the committee and answered questions from committee members. McFarlin asked how long the suspension of the RALF program would be in place and Braden answered until about the end of the year 2010. Peterson expressed concern that opportunities might be lost for acquisition for projects during the suspension of the RALF program. It was noted that the Council could approve specific project(s) if extraordinary circumstances arise.

In answer to McFarlin's question whether MnDOT is aware of this proposed suspension, McCarthy stated that MnDOT is aware and MnDOT staff have been present at meetings where this has been discussed. In response to Leppik's question, McCarthy advised that staff will address in the review the process to be used in the event a RALF loan should be rescinded because a project is not consistent with the Transportation Policy Plan.

Motion by Hilker, seconded by Aguilar and passed unanimously.
Hearing no objection, Chair Leppik stated that this item could proceed to the full Council as a Consent Item.

Business Item

Item: 2010-157

T

Transportation Committee

Meeting date: June 14, 2010

Council Meeting: June 23, 2010

ADVISORY INFORMATION	
Date:	April 9, 2010
Subject:	Right-of-Way Acquisition Loan Fund (RALF) Program Review
District(s), Member(s):	All
Policy/Legal Reference:	Council's Grant/Loan Policy
Staff Prepared/Presented:	Arlene McCarthy, Director, 651-602-1754 Amy Vennewitz, Dep. Director, Finance and Planning 651-602-1058 Connie Kozlak, Manager, Systems Planning 651-602-1720 Ann Braden, Senior Planner, 651-602-1705
Division/Department:	Metropolitan Transportation Services.

Proposed Action

That the Metropolitan Council suspend granting RALF loans pending completion of the Metropolitan Highway System Investment Study (MHSIS) and reassessment of the RALF program.

Background

The revolving Right-of-Way Acquisition Loan Fund (RALF) program, which began more than 25 years ago, enables the Council to make no-interest loans to metro area cities and counties to purchase right-of-way for state trunk highways in advance of the time MnDOT is allowed to do so. Before highway construction occurs, MnDOT purchases the property from the city or county for the original purchase price and the city repays the loan fund. This precludes development, averts land value appreciation, assists homeowners, protects future highway right-of-way and saves money with traditionally lower acquisition costs.

RALF loans are made in accordance with the RALF Guidelines which were adopted by the Council for implementing Mn. Statute. 473.167, Subd. 2 ("the RALF Law"). Purchases are made only from willing sellers and on a "first come-first served" basis so the timing and dollar value of the loan requests are not predictable; consequently, it has not been feasible to program or even prioritize RALF loans. Despite these unknown variables, RALF has, until now, been sufficiently funded to meet all valid loan requests, even though they are submitted on an *ad hoc* basis.

The Council-levied RALF property tax yields about $3.4 million per year. Since the program's inception, the Council has made more than 110 loans totaling more than $65 million to 14 different municipalities. The earliest loans made to acquire right-of-way along TH 169 in Shakopee, TH 610 in Brooklyn Park and eastern Maple Grove, TH 212 in Chaska, Chanhassen and Eden Prairie, and TH 52 in Inver Grove Heights have been repaid. Today there is more than $44 million in outstanding loans that were used to acquire corridor parcels in Anoka and Ramsey (TH 10), Maple Grove (TH 610), and Richfield (I-494) and to acquire parcels for interchange construction/reconstruction in Lakeville (CR 70/I-35), Shoreview (Rice St./I-694), Belle Plaine (CSAH 3/TH 169) and Bloomington (I-494/I-35W and 98th/I-35W). None of these outstanding loans are expected to be repaid within the foreseeable future.

Rationale/Funding

- **New requests are likely to exceed available funds**

As the price of land has escalated since the first loans were made in the early 1980s, the dollar values of the loan requests have also increased. This has reduced the number of loans that can be made in any given year. The current RALF balance is about $5 million with no repayments on the horizon. This year's levy of about $3.4M-- half of which will be received at the end of June and the remainder at the end of 2010- would bring the RALF balance at year-end to about $8.40 million, assuming no new grants are issued.

The Council has recently received inquiries regarding the availability of RALF funds for new highway loans that may exceed the existing fund balance and future projected balances. Maple Grove has recently made a preliminary request of an estimated $6-14 million (depending on the amount of right of way purchased) for a parcel at the future TH 610/Maple Grove Parkway interchange. The City of Ramsey is working on two RALF loan requests estimated at $1.54 million for acquisition of TH 10 parcels. While both TH10 and TH610 are in the current annual RALF program, neither is in the current TPP.

- **Need to tie RALF expenditures to *2030 Transportation Policy Plan* (TPP) priorities**

As written, the RALF statute *allows* the Council to make loans to acquire right-of-way for any state trunk highway within the metropolitan area, not just for principal arterials. However, all RALF loans made to date have been for acquisitions on principal arterials, although not necessarily for highway improvements identified for construction within the 2030 TPP adopted in 2004. These include RALF acquisitions for parcels along TH 10 in Anoka and Ramsey and at interchanges located at 98th Street/I-35W in Bloomington, CSAH 3/TH 169 in Belle Plaine, CR 70/I-35 in Lakeville and I-35W/CR J in Blaine.

The 2030 TPP adopted in 2004 included 10 proposed major highway expansion projects plus right-of-way acquisition for two major river crossings, totaling more than $2.9 billion. Because the projected cost of these projects exceeds the fiscal capacity of the plan, the current TPP (adopted in 2009) recommends that they be reassessed in an attempt to reduce "their scope and cost while still achieving substantial preservation, congestion mitigation, capacity expansion, and safety benefits." To this end, the Council and other agencies are engaged in the Metropolitan Highway System Investment Study (MHSIS) which is evaluating cost-effective alternatives to major general purpose highway expansion and is likely to identify more, but smaller-scale highway investments. Recommendations from this study, which are expected to be incorporated into a TPP update adopted by the end of this year, will provide direction and help prioritize future RALF expenditures.

- **Overall review of the RALF program is needed.**

After more than 25 years, the RALF program should be re-assessed in light of today's high and variable land prices, no expected RALF repayments in the foreseeable future, and the likelihood of defined regional highway priorities, as recommended by the MHSIS which will result in a TPP update by the end of this year. This evaluation of the RALF program may result in changes to the program's implementation guidelines and/or requests to the Legislature to revise the RALF law.

Known Support / Opposition

Several communities are either engaged in acquiring right-of-way through the RALF program (TH10 and TH610 corridors), or are preparing environmental documentation in anticipation of requesting RALF loans (new TH 41 bridge and the extension of TH 212 in Carver County).