

METROPOLITAN COUNCIL
390 North Robert Street, St. Paul, Minnesota 55101

REGULAR MEETING OF THE COMMUNITY DEVELOPMENT COMMITTEE
Monday, May 19, 2008

Committee Members Present: Acting Chair, Annette Meeks; Richard Aguilar; Sherry Broecker, Georgeanne Hilker; Tony Pistilli, Kris Sanda

CALL TO ORDER

A quorum being present and with Chair Steffen being absent, Vice-Chair Annette Meeks called the regular meeting of the Council's Community Development Committee to order at 4:05 p.m. on Monday, May 19, 2008.

APPROVAL OF AGENDA AND MINUTES

It was moved by Broecker, seconded by Sanda to approve the agenda. **The motion carried.**

It was moved by Hilker, seconded by Aguilar to approve the minutes of the May 5, 2008 regular meeting of the Community Development Committee. **The motion carried.**

SPECIAL RECOGNITION

Vice-chair Meeks presented Bob Mazanec, planning analyst, local planning assistance with a certificate recognizing his 37 years of service to the Metropolitan Council as well as his impressive list of credentials. She congratulated Mazanec on his years of service and wished him a very long, healthy and prosperous retirement. Meeks stated Bob was a Met Council "historic figure"- one of the drafters of the original Metropolitan Development Framework and he also helped design the Metropolitan Land Planning Act. She thanked him for all he has done to shape this organization, his willingness to mentor new staff, and his expertise and professionalism over the years. Broecker stated Mazanec's work with Washington County was greatly appreciated and he would be missed. Mazanec thanked the group and indicated he was looking forward to "every day being Saturday."

BUSINESS

2008-111 – LCA Local Housing Incentives Account Funding Recommendations. Linda Milashius, senior planner, provided an overview of the criteria used and noted that proposals meeting baseline criteria were reviewed by a selection committee consisting of representatives of the MHIG, and staff from Minnesota Housing and the Metropolitan Council. Proposals were discussed regarding their overall concept, consideration of the joint selection criteria and individual funder's criteria, as well as any funder's past experience with the applicant, previous funding allocations, and familiarity with the project or expertise related to any aspect of the proposals. The selection committee then rated the proposals on the proposer's organizational capacity to deliver the project and the feasibility of the proposal. Milashius explained that funds were allocated to each proposal based on its composite rank, and the best use of each of the MHIG funding sources. She stated that a total of 21 metropolitan area applications were evaluated by MHIG, 10 suburban and 11 central city, seeking assistance for ownership programs. A total of 5 suburban and 6 central city proposals were recommended for funding.

These proposals will be awarded a total of over \$3 million to assist in value and/or affordability gap funding that will involve at least 68 new affordable homes and the rehabilitation and improvement of up to 50 existing units to then be resold to new owners. Minnesota Housing will fund \$2,446,000 and the Metropolitan Council \$500,000 of the total MHIG investment in home ownership programs seeking assistance this spring. The recommendation to use \$500,000 in LCA LHIA dollars involves three programs that will acquire, rehab and resell 23 units to new owners. Two of these programs will be implemented through the community land trust ownership model. All three proposals target resources to address foreclosure prevention and remediation. Of the anticipated 23 ownership units to be assisted with LHIA funds, all will be targeted to households between 60 and 80 percent of area median income.

Committee Member Pistilli asked for the Two Rivers Community Land Trust if the value gap and the affordability gap together are the difference between what it costs to build the houses and what they sell the house for, essentially the subsidy is \$104,000 per unit. Milashius confirmed.

Aguilar moved, seconded by Hilker, that the Metropolitan Council:

Award Local Housing Incentives Account (LHIA) grants totaling \$500,000 to three homeownership proposals as follows:

Project	City	Number of Units to be Acquired and Rehabilitated	LHIA Funding Recommendation
City of Lakes Community Land Trust	Minneapolis	7	\$150,000
MCASA/Model Cities	St. Paul	7	\$150,000
Two Rivers Community Land Trust – for the cities of Cottage Grove, Forest Lake, Newport, Oakdale, St. Paul Park, Stillwater	Multiple	9	\$200,000
Total:		23	\$500,000

The motion carried.

2008-84 – Request for Reimbursement Consideration Authorization for Construction of Dakota Rail Regional Trail, Three Rivers Park District. Arne Stefferud, planning analyst, revisited the action taken by the Metropolitan Council on March 8, 2006 regarding the Dakota Rail Regional Trail master plan. He noted that the Park District has submitted construction plans for the trail’s development to Metropolitan Council Environmental Services (MCES) to ensure that the proposed construction will not interfere with the operation of any MCES sewer interceptors. Stefferud stated that the Park District has also asked that the Metropolitan Council consider reimbursing \$2,415,000 in future regional parks capital improvement programs for construction of the trail other than bridge modifications. Stefferud then explained the Park Policy Strategy. He noted that this insures that the Metropolitan Council reviews a project for its consistency with Council-approved master plans and if so, the project can be considered for funding in a future regional parks capital improvement program. However, Council approval of a project does not guarantee that the park agency will be reimbursed in the future. Stefferud highlighted the reasons that this project is consistent with the terms of the Park Policy Strategy and provided a funding overview.

Council staff noted that trail right of way is owned by the Hennepin County Regional Rail Authority and leased to the Park District for 20 years. The costs of improving the bridges in the right of way was borne by Rail Authority and the Park District and are not included in the District’s reimbursement request to the Metropolitan Council.

Since the trail is being constructed on land owned by the Hennepin County Regional Rail Authority on a 20 year lease, the Committee asked what would happen if the Rail Authority terminated the lease early? A portion of the residual value of the trail improvements would be paid by the Rail Authority to the Park District if the lease was terminated early.

Broecker moved, seconded by Pistilli, that the Metropolitan Council:

1. Consider reimbursing Three Rivers Park District up to \$2,415,000 for construction of the Dakota Rail Regional Trail as shown in Attachment 2 in future regional parks capital improvement programs. However, the Council does not under any circumstances represent or guarantee that reimbursement will be granted, and expenditure of local funds never entitles a park agency to reimbursement.
2. Submit comments from the Metropolitan Council’s Environmental Services Division shown in Attachment 3 to insure that the trail’s construction does not interfere with the operation of any MCES sewer interceptors.

The motion carried.

2008-119 – Bruce Vento Nature Sanctuary Master Plan Review and Request for Park Acquisition Opportunity Grant to Acquire Three Parcels, City of St. Paul. Arne Stefferud, planning analyst, reported that the city of St. Paul submitted a master plan amendment to the Bruce Vento Regional Trail to include the following trail and park additions: Bruce Vento Nature Sanctuary (including properties proposed to be acquired), Bruce Vento Regional Trail Connector, Payne /7th Trail Access, Eastside Heritage Park (Formerly Phalen Arcade Park) and Phalen Boulevard Regional Trail Connector. He noted that this additional land for the trail was included in the *2030 Regional Parks Policy Plan* and that the city is also \$572,469 from the Park Acquisition Opportunity Grant Fund to finance 75% of the costs to acquire three parcels which total 1.85 acres for the Bruce Vento Nature Sanctuary under “Option 2-Revised Rules.” Stefferud reported that acquisition of up to 5.82 acres for the Bruce Vento Nature Sanctuary is proposed in the master plan amendment. Of that amount, 1.85 acres is proposed for purchase at this time at a cost of \$763,292. The City of St. Paul has requested \$572,469 from the Park Acquisition Opportunity Grant Fund to finance 75% of the costs and the remaining 3.97 acres have a 2008 property tax assessed value of \$1,091,000.

Stefferd stated that it is likely that a portion of the 3.97 acres proposed for future acquisition at the Bruce Vento Nature Sanctuary will need to accommodate an odor control facility for the MCES wastewater control structure at 3rd and Commercial Streets. It is in the interest of the City of St. Paul and MCES to cooperatively site the odor control facility since its construction will benefit the nature sanctuary visitors. In the meantime, the City needs to provide perpetual controlled access for the MCES to operate and maintain the wastewater control structure. Stefferud provided an overview about the items in the master plan amendment that did not contain development details and cost data and stated that an additional master plan amendment from the City of St. Paul for the items above should be submitted to the Metropolitan Council if the City intends to seek funds for these development projects through the Metropolitan Regional Parks capital improvement program.

The committee asked if there would be additional land acquired for linking the Bruce Vento Regional Trail to the Sam Morgan Regional Trail. No additional land would be acquired but there may be some type of lease payment to the railroad that is crossed by either an overpass or underpass. The committee also asked if the proposed nature sanctuary interpretive center building would be located on the floodplain. Staff replied that the land proposed for acquisition would house the building and none of that is in a floodplain. The committee questioned if the City of St. Paul had agreed to the condition for the acquisition grant in recommendation 3. Council staff replied that the City had agreed to this condition. The question was also raised about what roads provided access to the Bruce Vento Nature Sanctuary. Council staff replied that 5th and 4th Streets provided road access from the west and Commercial Street provided road access from the east.

Aguilar moved, seconded by Sanda, that the Metropolitan Council:

1. Approve the Master Plan Amendment to the Bruce Vento Regional Trail (Referral No. 20232-1) with the exception of the Phalen Boulevard Regional Trail Connector trail spur adjacent to Cayuga Street.
2. Request an additional master plan amendment from the City of St. Paul for the following items if the City intends to seek funds from these development projects through the Metropolitan Regional Parks capital improvement program:
 - a. Development costs including connection to utilities for constructing the nature interpretive facility at the Bruce Vento Nature Sanctuary
 - b. Development costs including connection to utilities for the Bruce Vento Regional Trail Connector that includes a bridge crossing over active railroad tracks and Warner Road as a link to the Sam Morgan Regional Trail.
 - c. Development costs to link the regional trail along Phalen Boulevard (not the spur along Cayuga Street) to the proposed Gateway State Trail near the intersection of Phalen Boulevard/ Pennsylvania Avenue and the realigned I-35 E.

3. Authorize a grant of \$572,469 from the Land Acquisition Account of the Park Acquisition Opportunity Fund to the City of St. Paul to partially finance the acquisition of parcels 32-29-22-42-0042, 32-29-22-42-0021, and 32-29-22-42-0023 for the Bruce Vento Nature Sanctuary if the Council approves the master plan amendment recommendation 1 and places the following conditions on the acquisition grant:
 - a. That the City of St. Paul grant to Metropolitan Council Environmental Services (MCES) perpetual controlled access to the 3rd and Commercial Street wastewater control structure for routine maintenance and back up disposal of wastewater during flood conditions at the MCES Metro Plant.
4. Request the City of St. Paul to work with the Metropolitan Council Environmental Services Division to site odor control improvements for the 3rd and Commercial Street wastewater control structure, and provide easements on land needed for the odor control improvements.

The motion carried.

2008-128(SW) – LCDA Affordable Housing Land Acquisition Loan Initiative. Guy Peterson, community development director, presented an overview of the proposed loan program, pointing out that the funds would be advertised and awarded through a joint process with Minnesota Housing and the Family Housing Fund, the other funding entities collaborating on this project.

Committee members asked questions about whether funds could be used to purchase land for mobile home parks, how the savings on land values would be made available to the developer, how a portion of any land value appreciation would go back into the revolving fund, and how this program might complement the Metro HRA's Family Affordable Housing Program. Peterson responded that the LCA funds would be available for the same kinds of affordable housing projects currently being funded through the MHIG process, that 10% of any increase in value would come back to the Fund after some of the appreciated value has been allocated to the affordable housing development to reduce the affordability gap of the units, and that the loan program is not compatible with the Council ownership of homes in it's FAHP program. Pistilli asked if we had the legal authority to do this; Peterson responded it is consistent with the goals of the Livable Communities Act.

Hilker moved, seconded by Pistilli, that the Metropolitan Council:

Approve the construct for a Land Acquisition for Affordable New Development (LAAND) initiative as described in the attached program concept developed jointly with MN Housing and the Family Housing Fund (FHF) for implementation beginning with the next Metropolitan Housing Implementation Group RFP to give guidance for the use of 2008 Livable Communities Demonstration Account funds and additional monies from MN Housing and the FHF for loans to communities to buy land for future affordable housing development.

The motion carried.

INFORMATION

Foreclosure Trends in the Twin Cities. Libby Starling, research manager, presented an overview of foreclosure trends in the Twin Cities area. Noting the severity of the foreclosure crisis at this time, Starling explained some of the external trends driving the foreclosure crisis, including loan products such as low-downpayment loans, adjustable rate mortgages, rising debt-to-income ratios, interest-only loans as well as flattening house values and the high level of new homeowners. She emphasized that many "exotic" mortgages can be appropriate for sophisticated buyers, but that many buyers purchased loans they did not understand. There were 12,974 sheriff's sales in the Twin Cities in 2007 (or one foreclosure for every 86 households), up 84 percent from 2006 with Washington and Carver Counties seeing the biggest increases. HousingLink's projected foreclosures in 2008 would be five times as many as there were in 2005. Looking ahead, data on Alt-A delinquency and Alt-A adjustable rate mortgage resets predict ongoing foreclosure issues, particularly in the exurbs. While the impact of foreclosure on home sales is most pronounced at lower price ranges (half of all houses on the market at \$120,000 and below are estimated to be in the foreclosure process), foreclosure is occurring at all price levels.

In addition to the cost of foreclosure to the homeowners, foreclosure also impacts the municipality and nearby property owners; sources estimate that the indirect cost of each foreclosure to neighboring property owner is anywhere from \$220,000 to \$500,000 in lost property value. The public sector is responding with foreclosure prevention counseling, acquisition / rehabilitation / resale of foreclosed home (such as the LHIA approvals), and demolition. Pistilli asked what role the Council should play in these foreclosure trends, and Guy Peterson, community development director, stated it was important to educate the policy makers.

Peterson reminded committee members about the two LCAC vacancies and asked that they call Burns or Barron by Tuesday, May 20th with any nominations.

ADJOURNMENT

The June 2 Community Development Committee may be cancelled. The next regular meeting of the CDC would then be Monday, June 16, 2008 at 3:00 p.m. in the Chambers. Committee members requested a 3:00 p.m. start time due to a very full agenda.

Business completed, Acting Chair Meeks adjourned the meeting at 5:30 p.m.

Respectfully submitted,

Jan Bourgoin
Acting Recording Secretary