

**Request for City Council Committee Action
from the Department of Community Planning
& Economic Development - CPED**

Date: March 10, 2009

To: Council Member Lisa Goodman, Chair,
Community Development Committee

Subject: Memorandum of Understanding between Hennepin County and the City of Minneapolis regarding the purchase of tax forfeit properties located in Minneapolis

Recommendation: It is recommended that the City Council authorizes staff to enter into a Memorandum of Understanding between Hennepin County and the City of Minneapolis regarding the purchase of tax forfeit properties located in Minneapolis.

Previous Directives: On May 1, 2007, the City Council approved accepting negotiated language and authorized staff to execute the Memorandum of Understanding. On December 12, 2006, the City Council approved entering into a Memorandum of Understanding between the City of Minneapolis and Hennepin County related to tax forfeit land and directed staff to continue negotiations with Hennepin County and return by April 2007 with the results of those negotiations. On December 13, 2005, the City Council approved entering into Amendment Two to the Memorandum of Understanding (MOU) between the City of Minneapolis and Hennepin County related to tax forfeited land. On September 3, 2004, the City Council approved entering into Amendment One to the MOU between the City of Minneapolis and Hennepin County related to tax forfeited land. On November 8, 2002, the Minneapolis Community Development Agency Board of Commissioners authorized the execution of the MOU between MCDA and Hennepin County regarding disposition of tax forfeited land.

Department Information

Prepared by: Edie Oliveto-Oates, Senior Project Coordinator, 612-673-5229
Approved by: Thomas Streitz, Director, Housing & Policy Development _____
Charles T. Lutz, Deputy CPED Director _____
Presenters in Committee: Edie Oliveto-Oates, Senior Project Coordinator

Financial Impact

- Action is within the Business Plan

Community Impact

- City Goals - A SAFE PLACE TO CALL HOME. In five years all Minneapolis residents will have a better quality of life and access to housing and services;

residents will live in a healthy environment and benefit from healthy lifestyles; the city's infrastructure will be well-maintained and people will feel safe in the city.

Supporting Information

In 2002, due to State Legislative changes regarding tax forfeited properties, Hennepin County and City staff negotiated an MOU as to a procedure both bodies would follow related to purchase/conveyance of tax forfeited properties located in target neighborhoods. That agreement was amended in 2004 and 2005. A new MOU was executed in 2006 for a two-year period that expired on December 31, 2008.

Staff at Hennepin County and City of Minneapolis have negotiated an MOU that covers tax-forfeited parcels situated in the City of Minneapolis' targeted neighborhoods that become tax-forfeit between January 1, 2009 and December 31, 2010. The terms of the MOU are essentially the same as those contained in the 2007-2008 MOU; however, there is one change. In the 2007-2008 MOU, both parties agreed to an 18-month period for parcels conveyed to the City to be sold for redevelopment; however, due to the ongoing mortgage foreclosure crisis, it was agreed that a period longer than 18 months was desirable. As a result, both parties agreed to 24 months with an extension on a case-by-case review.

The major points of the MOU are as follows:

- For the years 2009 and 2010, the County shall convey to the City up to the greater of (i) twenty percent (20%) of tax-forfeited parcels located in Minneapolis Targeted Neighborhoods in a calendar year or (ii) five (5) tax-forfeited parcels located in Minneapolis Targeted Neighborhoods at the City's discretion and as selected by the City. The twenty-percent figure shall be determined on an annual basis from the total number of parcels located within Minneapolis Targeted Neighborhoods that become tax-forfeited to the State in 2009 and 2010, with no repurchase application filed with the County and approved by the County in 2009 and 2010.
- In addition to the foregoing, for every tax-forfeit property within Targeted Neighborhoods within the City of Minneapolis for which the City grants Hennepin County authority to rehabilitate, the County shall allow the City to select an additional parcel in the Minneapolis Targeted Neighborhoods.
- The City shall provide for the redevelopment of these tax-forfeited parcels as productive taxable property within twenty-four months from the date each title transfers to the City. By mutual agreement of the parties, the twenty-four-month period may be extended for any tax-forfeited parcel subject to this Memorandum of Understanding where significant demolition, title clearance, soil correction or environmental investigation or remediation is required.

Additional Provisions in the MOU

The City has the ability to exercise the use of the option to defer payment of the Minimum Bid Appraised Value. The City/CPED appraiser will review the County's appraisal. If there is a disagreement, the price will be negotiated between the two entities. This provision calls for the following:

- The City has three years to market and develop the property. Upon closing, the City shall pay to the Hennepin County Taxpayer Services Department the previously determined Minimum Bid Appraised Value.
- After three years of unsuccessful marketing, the City can either pay the previously determined Minimum Bid Appraised Value, or re-convey the property to the State of Minnesota.

Staff seeks authorization to enter into a memorandum of understanding with Hennepin County related to the conveyance of tax forfeited properties to the City of Minneapolis, as outlined in this report.