



**Request for City Council Committee Action
From the Department of Community Planning & Economic Development**

Date: February 15, 2005

To: Council Member Lisa Goodman, Community Development Cmte

Prepared by: Edie Oliveto-Oates, Phone 612-673-5229

Presenter in Committee: Edie Oliveto-Oates

Approved by: Chuck Lutz, Deputy CPED Director _____
Elizabeth Ryan, Director, Housing _____

Subject: Informational report on soil correction for small residential lots

RECOMMENDATION: Receive and file

Previous Directives: Council approved the Real Estate Procedures in April 2004 which included payment of soil correction costs.

Financial Impact (Check those that apply)

- No financial impact - or - Action is within current department budget.
(If checked, go directly to next box)
- Action requires an appropriation increase to the Capital Budget
- Action requires an appropriation increase to the Operating Budget
- Action provides increased revenue for appropriation increase
- Action requires use of contingency or reserves
- Other financial impact (Explain):
- Request provided to the Budget Office when provided to the Committee Coordinator

Community Impact (Summarize below)

Ward: City Wide

Neighborhood Notification: Not Applicable

City Goals: Not Applicable

Comprehensive Plan: Not Applicable

Zoning Code: Not Applicable

Living Wage/Job Linkage: Not Applicable

Background/Supporting Information

Traditionally the Minneapolis Community Development Agency (MCDA)/City of Minneapolis has reimbursed developers for approved soil corrections work. This policy/practice was included in the Real Property Disposition Policy that was approved as part of the new CPED policy in 2004.

All soil corrections recommended for payment by CPED's engineering staff fall under the category of unsuitable soils. Unsuitable soil means geotechnically abnormal, or contaminated soils that are not acceptable for erecting structures, which in staff's professional opinion qualify for soil correction. In this case, these expenses are usually reimbursable expenses to the developer. Such abnormal, substandard, or contaminated soils shall include, but are not limited to, soils that contain substantive amounts of loose and/or organic soils; demolition debris and rubble; abandoned building foundations, pilings, underground utilities and storage tanks; illegally dumped and buried materials; and hazardous wastes, pollutants or contaminants as those terms are defined under federal, state or local statute, ordinance, code or regulation.

The question about soils corrections, on small residential properties, is approached from the valuation perspective. On every parcel being marketed CPED's appraiser looks at the parcel and presumes the following;

- ✓ That public utilities are available at a reasonable distance in the public mains.
- ✓ That public sidewalks, curbs and gutters are in and in serviceable condition.
- ✓ That all existing vegetation on the site such as trees, shrubs and other growth will not be in the footprint of the future development.
- ✓ That the site soils will support standard construction with a full basement at a normal footing depth.
- ✓ That the site is not polluted with environmentally unsafe materials.

With these factors as a base, the appraiser estimates value based upon other similar sales in the market. In those cases where the appraiser is informed that any of the listed factors are compromised, then appropriate adjustments are made to the reuse value. The site is advertised for the properly adjusted reuse value or there is a statement about the nature of the concern so any person offering to buy the property can make an appropriate decision about how much they will offer.

In rare cases, staff secures soils analysis for our small residential parcels i.e. when, during the course of demolition questionable soils are evident, the building that was demolished shows major settlement issues which may be attributable to poor soils or the area is known for poor soil quality. Staff will also request analysis for pollution based

upon known site history or on findings in a Phase I environment history analysis, which may be required by the area, parcels development or use history.

Traditionally, soil correction issues have been geotechnical in nature not pollution. In those cases where issues are found, appropriate notification of the concern is provided with the advertisement so that any interested party is informed and make their offer with the knowledge of the concern. The staff appraiser may also make a downward adjustment in land value to reflect the estimated cost of soil correction so that the site is more appropriately valued.

It is difficult to determine the appropriate adjustment of the land value in advance of selection of a proposal, since every building footprint is different and placement and foundation size will dictate its own soils cure cost. It has been the practice not to secure a soil analysis for every parcel. To complete accurate soil tests prior to advertisement would cost approximately \$2,000 per parcel. The initial soil testing that is typically secured after the excavation is often performed with a hand augur at a cost of approximately \$500 and testing is in the appropriate locations for the exact development. CPED requires the developer to notify the project coordinator and the engineering staff when they encounter a soil problem at or below full basement footing depth and the soils are inadequate for foundation support or upon discovering any pollution at any depth. CPED's staff then meets with the soils engineering consultant and the contractor/developer and has the opportunity to establish the best method to correct the issue at the lowest cost.

Under state law CPED is obligated to ensure that development occurs as proposed, we do not convey fully marketable title until the development is completed. The existing policy is one way for the city to insure that the development does not collapse because of unknown costs. Payment of soil correction costs are limited to those costs approved by CPED's engineering staff and authorized by the CPED Director up to \$100,000. Any costs in excess of \$100,000 must be approved by the City Council.