

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

Date: May 1, 2007

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

Subject: Proposed language to the Memorandum of Understanding between Hennepin County and the City of Minneapolis regarding the purchase of tax-forfeited properties located in Minneapolis.

Recommendation: It is recommended that the City Council approves the negotiated language and authorizes staff to execute the Memorandum of Understanding as follow:

- A) Keep the amount of properties that the City of Minneapolis can acquire for \$1.00 at 20% of the total tax-forfeited land in targeted neighborhoods of the City of Minneapolis and create a minimum of five properties per year, without establishing a maximum amount outside of the 20%.
- B) For every rehab that the City grants redevelopment authority to the County in Minneapolis' targeted neighborhoods, the County will make available another property that the City can acquire for \$1.00, independent of the 20%.

Previous Directives: 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-forfeited land and directed staff to continue negotiations with Hennepin County to increase the number of properties the City of Minneapolis acquires for \$1.00 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 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 Memorandum of Understanding 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 Memorandum of Understanding between MCDA and Hennepin County regarding disposition of tax-forfeited land.

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Elfric K. Porte, II. Manager Single Family Housing Development

Approved by: Charles T. Lutz, Deputy CPED Director

Elizabeth Ryan, Director of Housing Policy & Development

Presenters in Committee: Edie Oliveto-Oates, Senior Project Coordinator

Reviews Permanent Review Committee (PRC): Policy Review Group (PRG):	Approval Approval	
Financial ImpactX No financial impactX Action is within the Business Plan		

Community Impact

Neighborhood Notification: N/A

City Goals: 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.

Sustainability Targets: N/A Comprehensive Plan: N/A

Zoning Code: N/A

Living Wage/Business Subsidy Agreement: N/A

Job Linkage: N/A Other: N/A

Supporting Information

The County may authorize tax-forfeited land be sold to the City for either a specific public purpose (which can be redevelopment) pursuant to a restricted use deed for less than fair market value (i.e., \$1.00) or pursuant to an unrestricted use deed for fair market value. Historically, pursuant to a targeted neighborhood provision in the taxforfeit law, the County was willing to convey an unlimited number of use deeds to the City in targeted neighborhoods for \$1.00 for the public purpose of redevelopment. The reverter would terminate upon the City's conveyance of the property for redevelopment. After a 2001 law change to the tax-forfeit statutes, the County became convinced that it had the option of charging the City fair market value for unrestricted deeds in targeted neighborhoods. The County's position is debatable, but so far, the City has been unable to convince the County of any other interpretation. As a result, the City of Minneapolis entered into negotiations with Hennepin County to develop a Memorandum of Understanding (MOU) that described the procedures that the parties would follow with respect to the redevelopment of tax-forfeited properties in Minneapolis' Targeted neighborhoods. In 2003, City and County staff commenced negotiations to amend the 2002 MOU. It was not until 2004 that agreement was reached between the two entities. During the negotiations, properties continued to forfeit and the City continued to designate properties they would like for development. At that time, due to the approximately two-year negotiations, there were approximately 60 properties that the County had on hold for possible acquisition by the City. As part of the negotiated settlement, the City was able to take 15 of the original 60 parcels through conveyance and the county was able to proceed to auction the remaining properties. This was a one time process to clear the back log of properties that had been created. In addition to the 15 tax-forfeited properties the City acquired for \$1.00 each, in 2004 the amended MOU called for an additional 10% of the tax-forfeited properties in Minneapolis Targeted neighborhoods to be sold to the City of Minneapolis for \$1.00.

Amendment #2 to the MOU signed in December 2005 increased the number of taxforfeited properties that the City could acquire for \$1.00 to 20% of the total 2006 taxforfeited properties in Minneapolis' Targeted neighborhoods.

In late 2006, the City Council directed staff to enter into a discussion with Hennepin County regarding extending or negotiating a new Memorandum of Understanding. In December 2006, the City Council approved the terms of the agreement and directed staff to work with Hennepin County to increase the total number of tax-forfeited properties that the City could acquire from the County for \$1.00. Below are the results of the negotiations with staff from both entities:

- A. Keep the amount of properties that the City can acquire for \$1.00 at 20%. (Rationale: Should the number of forfeitures increase, the number of properties that the City can acquire for \$1.00 will also increase).
 - Create a minimum of five properties per year.
 - No maximum amount outside of the 20%
- B. For every rehab that the City grants redevelopment authority to the County in Minneapolis' Targeted neighborhoods, the County will make available another property that the City can acquire for \$1.00, independent of the 20%.
 - The County has a goal to work with Small Business Enterprises (SBE) contractors in targeted neighborhoods. In coordination with the Boarded Building Taskforce the County and the City staff will negotiate which buildings the County will rehabilitate and the City will receive an additional property outside of the 20% as recognition of our collaborative efforts.

Additional Provision in the MOU

The City has the ability to exercise the use of the previously existing option to defer payment of the Fair Market Value (FMV) per the County's appraisal. 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 is a useful tool considering the City has a provision in its redevelopment agreement that controls the development, unlike the County that sells their properties on auction to the highest bidder. This provision calls for the following:

- The City has three years to market and develop the property.
- After three years, the City can either pay the established FMV or return the property to the County.

Staff seeks approval to the negotiated language and authorization to include said language in a memorandum of understanding with Hennepin County.