



Legislation Text

File #: 19-1244, **Version:** 1

DATE: December 17, 2019

TO: Members of the Housing & Redevelopment Authority

FROM: Janine Atchison, Housing Coordinator

Cannon River Community Land Trust Property Disposal

SUMMARY AND ACTION REQUESTED:

The Housing & Redevelopment Authority (HRA) to consider a motion to require former Cannon River Community Land Trust (CLT) homeowners to purchase the land now owned by the HRA at the time of refinancing.

BACKGROUND:

History of the Cannon River Community Land Trust

In 1999, the City purchased 50 acres of land from Vern Koester for \$500,000. Of this, 9 acres was paid for by the HRA for development of Maple Hills, a small mixed-income housing development, and 35 acres were for the creation of the soccer complex and storm water pond area. The HRA contributed \$90,000 for their share of the land.

Joel West was the Community Development Director at that time, he also staffed the HRA. The HRA helped to create the CLT, which eventually received a separate 501 (c)3 status. Joel West became the Executive Director of the CLT, and at least 2 HRA members also became CLT Board members. All three of those people also retained their position with the City/HRA board.

According to the available documentation, the HRA provided the CLT with some seed money (amount is unclear) to get started and the CLT also received donations from area businesses.

Between 2000 and 2007, the CLT built 19 units and sold them all, some of which are twinhomes. In Maple Hills, the HRA built the units and sold them to the CLT, who in turn sold them to the CLT homeowner. The HRA received about \$120,000 per unit in the Maple Hills complex from the CLT. The units were built with funds from Fannie Mae and a variety of other resources, including some levy dollars.

In 2008, as some of the homeowners decided to sell their units, the CLT was unwilling or unable to buy them back under the formula specified in the bylaws, due to the downturn in the market and lack of equity in the units. The CLT board members started quitting, and Joel West determined he no longer could manage the CLT. He first reached out to First Homes Land Trust in Rochester for them to acquire the units and manage them. Rochester agreed, and took ownership of 2 units. Rochester then determined that it was not cost effective for them to take on more units, due to overhead and the cost of maintaining and managing the units. Joel West called together Three Rivers, the CAC, the County and the Northfield HRA, and asked for assistance with the units. He wanted to dissolve the CLT, and another entity to “manage” the units until they all sold on the regular

market. It was very clear that the current homeowners were in limbo and had very few options. Many had tried to sell and could not, as assistance was not provided by the CLT to close the property or dissolve the agreement.

After two homeowners were unable to sell their homes, the HRA determined they would assist. With the help of Dunlap and Seeger, a law firm in Rochester that works closely with the Rochester CLT and is therefore knowledgeable about the idiosyncricities involved, the HRA determined a way to assist the Northfield CLT homeowners.

The CLT conveyed the land to the HRA through Quit Claim Deeds. These documents would remove 13 parcels of land from the CLT and to the possession of the HRA.

When homeowners sold their properties, the HRA conveyed the land to the purchaser for a sum determined by a shared appreciation agreement. The value of the property was determined by Rice County assessor valuation or by appraisal. In two cases, the homeowner was allowed to purchase the land at a rate set by appraisal. The HRA currently owns the land for 4 of the CLT properties.

Allan Gill is one of the remaining CLT homeowners for which the HRA is still the landowner. Mr. Gill plans to refinance his home at 421 Bunker Drive to assist with his children's college education. However, Mr. Gill would like the HRA to remain the landowner.

ANALYSIS:

The intent of the CLT Dissolution Plan was for the CLT to transfer ownership of the land to the HRA, which in turn, would transfer the land to the homeowner via a shared appreciation agreement. The shared appreciation agreement was a vehicle by which the HRA could transfer the land to the homeowner at a lower value based on the sale price or land valuation at the time of transfer.

This is the first request received by staff to continue land ownership after refinancing. Although it was clearly the intent for the HRA to pass the land on to the homeowner at the earliest opportunity, a request for the HRA to continue as landowner was not anticipated and specifically addressed in the dissolution plan.

Staff has consulted with the City Attorney's office regarding the request. Attorney Robert Scott recommends the HRA adopt a motion requiring the owners of the remaining four CLT properties owned by the HRA to purchase the land from the HRA at the time of refinancing rather than continue to own such land indefinitely.

OPTIONS:

Although it has not been the intent of the HRA to continue land ownership for CLT properties, it is possible for them to retain ownership indefinitely.

Now that home and land values have risen to levels higher than the 2006 valuation peak, the HRA can consider incentives to the remaining CLT homeowners to purchase the land outright.

RECOMMENDATION:

Staff recommends the HRA consider adopting a motion to require owners of the remaining former CLT properties owned by the HRA to purchase the land from the HRA at the time of refinancing. The HRA may also consider valuation incentives for the four remaining CLT homeowners.

