



Legislation Text

File #: 20-062, **Version:** 1

DATE: January 28, 2020

TO: Members of the Housing & Redevelopment Authority

FROM: Janine Atchison, Housing Coordinator

Cannon River Community Land Trust Properties

SUMMARY AND ACTION REQUESTED:

The Northfield Housing & Redevelopment Authority (HRA) to consider incentives to purchase land for homeowners of remaining land trust properties.

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 and also staffed the HRA. The HRA helped to create the CRCLT, which eventually received a separate 501 (c)3 status. Joel West became the Executive Director of the CRCLT, and at least 2 HRA members also became CRCLT 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 CRCLT with some seed money (amount is unclear) to get started and the CRCLT also received donations from area businesses.

Between 2000 and 2007, the CRCLT sold 13 units, some of which are twinhomes. In Maple Hills, the HRA built the units and sold them to the CRCLT, who in turn sold them to the CRCLT homeowner. The HRA received about \$120,000 per unit in the Maple Hills complex from the CRCLT. This amount covered the building costs. The units were built with funds from Fannie Mae and a variety of other financing sources, including some levy dollars.

In 2008, as some of the homeowners decided to sell their units, the CRCLT 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 CRCLT board members started quitting, and Joel West determined he no longer could manage the CRCLT. 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 CRCLT, 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 CRCLT to close the property or dissolve the agreement.

After two homeowners were unable to sell their homes just after the 2008 housing market crash, the HRA determined they would assist. With the help of Dunlap and Seeger, a law firm in Rochester that works closely with the Rochester CRCLT and is therefore knowledgeable about the idiosyncrasies involved, the HRA determined a way to assist the Northfield CRCLT homeowners.

The CRCLT conveyed the land to the HRA through Quit Claim Deeds in 2013. These documents would remove 13 parcels of land from the CRCLT 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 was clear in their preference to sell the remaining CRCLT properties at the earliest opportunity. A shared appreciation agreement, adopted by the HRA, helped to protect the HRA's interest and CRCLT homeowners in a time of depressed real estate market values. When CRCLT homeowners sold their homes, the shared appreciation agreement allowed the HRA to transfer the land to the purchaser for an amount based on the appreciation of the home/land. Seven homeowners sold their homes with the HRA receiving less than the assessed value of the land. Two homeowners purchased their land for less than the assessed value.

The HRA currently owns the land for 4 remaining CRCLT properties. The HRA is the landowner for the properties at 421 Bunker Drive, 505 Bunker Drive, 513 Bunker Drive and 302 Dresden Ave.

At the December 17, 2019 HRA meeting, the Board discussed a request from the homeowner at 421 Bunker Drive. The homeowner is requesting the HRA to remain the landowner and allow him to refinance his home.

The HRA has again expressed their preference to sell the remaining properties. The Board has requested additional information from Staff regarding an incentive program to entice the remaining CRCLT homeowners to purchase the land now held by the HRA.

ANALYSIS:

Recent real estate values have rebounded to figures above the high levels experienced in 2006. Although the HRA has not commissioned appraisals for the four properties in which they maintain ownership interest, the assessed value is available for consideration. A synopsis of the current assessed values is attached to this report.

The nine properties sold since 2007 had a total assessed value of \$359,000 and sold for \$114,072. The sale price represents 31.77% of the assessed value at the time of sale. The remaining 4 properties have a combined assessed value of \$167,000. In order to incentivize the four remaining homeowners to purchase the land under which their homes are situated, the HRA could offer to sell the properties to the homeowners at a percentage of the 2020 Rice County assessed value.

OPTIONS:

The HRA could commission an appraisal of the four remaining former CRCLT properties. The appraised value can be the basis for an incentive program. Staff would still recommend utilizing the same percentage discount

for the appraised value of each property as the incentive.

RECOMMENDATION:

Staff recommends the HRA consider the type and level of incentive to provide to former CRCLT property owners.