

January 16, 2025

Lisa West

Senior Project Manager  
Dakota County  
14955 Galaxie Ave  
Apple Valley, MN 55124

Dear Lisa West,

In reviewing Requests 4 and 5 for ML 2022, Ch. 77, Art. 1, Sec. 2, subd. 5(a), we noticed some dates were not lining up with funding requirements.

For Request 4 (Peterson South), the closing date was August 29, 2023, with an appraisal effective date of July 6, 2022 and a Phase 1 Environmental Investigation dated August 30, 2023. Given that the Phase 1 Investigation was not completed until after the closing of the property, it seems the appraiser was unable to review the findings/recommendations in the report which may have impacted the appraised value.

The Phase 1 report recommended the following actions (found on page 16):

- Report the analytical detections of DRO, PAHs, and RCRA metals to the State Duty Officer.
- Enroll the Site into the MPCA Voluntary Brownfields Program to obtain technical oversight for future remediation activities and to obtain a No Association Determination (NAD) letter for the non-petroleum impacts at the site; more specifically for the PAH and RCRA metal concentrations. A Proposed Actions letter would need to be prepared and submitted to the MPCA for the NAD request.
- Prepare a Response Action Plan and Construction Contingency Plan (RAP/CCP) as a guide to be followed during remediation/removal activities. The RAP/CCP should be reviewed and approved by the MPCA prior to conducting field work activities.
- Document excavation and removal activities in a RAP/CCP Implementation Report

According to Attachment E of your grant contract and the DNR Supplemental Appraisal and Appraisal Review Guidelines, you must follow USPAP standards.

Attachment E requirement (p. 2)

For properties valued over \$20,000, an appraisal must be completed and prepared by a Certified General Level 4 appraiser licensed in Minnesota.

1. The appraisal must be prepared in conformity with the guidelines titled 'Uniform Standards of Professional Appraisal Practice' and Minnesota DNR 'Supplemental Appraisal and Appraisal Review Guidelines (1-1-2016 version)'

DNR Supplemental Appraisal and Appraisal Review Guidelines (p. 3, II. B.)

### **Uniform Standards of Professional Appraisal Practice (USPAP)**

The Department requires that such reports adhere to state statutes and the most current version of the Uniform Standards of Professional Appraisal Practice (USPAP) as published by the Appraisal Foundation and state statutes. Appraisers should be accustomed to using the USPAP guidelines and be familiar with the advisory opinions issued by the Appraisal Foundation on specific topics.

It is clear from the Phase 1 that the site had environmental concerns. According the DNR Supplemental Appraisal and Appraisal Review Guidelines (p.5) when environmental issues are present:

The Appraiser will be directed to appraise the property in one of two ways:

1. Appraise the property as though the concern were removed (hypothetical condition).
  - a. This will result in one of the following actions:
    - i. Landowner will clean up prior to closing.
    - ii. DNR administration (this is not an option for Grant or Partner Projects) will administratively reduce the value of property due to the environmental condition based on a cost to cure estimate from either:
      - a) DNR Management Resources
      - b) A qualified specialist in environmental remediation
2. Appraise the property as is, relying on the findings and opinions of qualified specialists in environmental remediation and compliance cost estimations.
  - a. Appraiser must consider if the condition will result in stigma and affect the market value.
  - b. Copies of estimates provided by others should be included in the addendum of the report

Additionally, according to Attachment E (page 5):

The grant recipient shall conduct an appropriate site assessment of the real property to determine whether the real property is used or has ever been used for the manufacture, use, storage, or disposal of any hazardous waste or toxic substance, pollutant or contaminants. If contamination is suspected, a Phase 1 review is required. If appropriate based on the findings of the Phase 1, a Phase 2 review is required. If the property is determined to have environmental concerns, trespass, or access issues, the grant recipient must provide the grant specialist applicable documentation that demonstrates the issues were remedied.

There is no evidence that you provided documentation to demonstrate that the issues were resolved. There is also no evidence that you contacted your appraiser with the recommendations from the Phase 1 investigation to

allow them to appraise the property with a hypothetical condition or determine if it changed the property's market value. There was no hypothetical condition in the appraisal and your appraisal states:

*"Researched comparable vacant sales in the market area and their applicability to the subject to determine the "as is" market value of the larger parcel before the acquisition as of July 6, 2022. Furthermore, we confirmed this data with information from public records as well as discussions with Assessors, buyers, sellers and brokers" (p. 3)*

*"We have noted in the appraisal report any adverse conditions (such as, but not limited to, hazardous wastes, toxic substances, etc.) observed during the inspection of the subject property (or learned of) during the normal research involved in performing the appraisal. **We have no knowledge of any hidden or unapparent conditions of the property or adverse environmental conditions** (including the presence of hazardous wastes, toxic substances, etc.) that would make the property more or less valuable and have assumed that there are no such conditions. We make no guarantees or warranties, express or implied, regarding the condition of the property. (Hosch Appraisal & Consulting, Inc. will not be responsible for any engineering or testing that might be required to discover whether such conditions exist.) Because we are not experts in the field of environmental hazards, the appraisal report must not be considered as an environmental assessment of the property." (p. 10)*

In Request 5 for the additional Peterson (North) parcel, no technical review was conducted prior to closing. It states in Attachment E (p.3):

Technical reviews are required for properties with an appraised value of over \$500,000, up to \$1,000,000. In the event the landowner and grant recipient each choose to get an appraisal, a technical review will be required to determine which appraisal will be used.

From communication with Al Singer, we are aware that because of the different funding sources used to acquire this property, Dakota County thought a technical review was not needed as the OHF amount was less than \$500,000. However, Attachment E clearly states that it is the **total land value** not the funding source that matters in relation to needing a technical review.

As a result, we are unable to verify the fair market value for the two parcels on this property and thus are not able to determine the value basis for your reimbursement request. Without that information, we cannot process these reimbursement requests and therefore, are disallowing the costs of the two requests relating to this acquisition for ML 2022, Ch. 77, Art. 1, Sec. 2, subd. 5(a). If you would like to use these funds for other acquisitions, you would need to discuss an amendment with the Lessard Sams Outdoor Heritage Council.

Regards,



Katherine Sherman-Hoehn

Grants Manager | Office of Management and Budget Services

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