

October 23, 2017

Dan Schluender  
Assistant City Engineer  
City of Blaine  
10801 Town Square Drive NE  
Blaine, MN 55449

Re: Proposal for Appraisal Services – Special Benefits Valuation  
City of Blaine Improvement Project No. 17-07  
Lever St. NE, from 125<sup>th</sup> Ave. NE to 132<sup>nd</sup> Ave. NE Alignment

Dear Mr. Schluender:

In accordance with your request, I am submitting this proposal for BRKW Appraisals, Inc. to provide a special benefits appraisal to the City of Blaine pertaining to proposed street and utility improvements in the above referenced city project area. Based on my review of the feasibility report for this project that you provided me, it is my understanding that within the project area, Lever Street NE, which currently is a gravel rural road section with no urban service utilities, will be reconstructed into an urban bituminous paved street section with concrete curb/gutter and storm sewer infrastructure; and that proposed improvements also include extending water main and sanitary sewer utilities as well to properties fronting this street section to be reconstructed.

#### **Purpose/Intended Use/Intended Users**

The purpose of the appraisal is to provide an opinion of the increase in market value, if any, to each of six subject properties resulting from the proposed street project improvements. The intended use of the appraisals is for assisting City of Blaine officials in levying special assessments to the properties at a level that is supported by at least a similar increase in market value of the properties. The intended users are City of Blaine officials, and the client of the appraisal would be the City of Blaine.

#### **Subject Properties**

The six subject properties are those fronting the section of Lever Street NE proposed for street/utility improvements whose owners did not sign a petition requesting the improvements (the owners of the balance of the properties fronting the street section to be improved did sign the petition). The six subject properties are identified on a summary table shown on the next page. The property numbers shown on the property list on the next page correspond to the parcel numbers appearing on the proposed assessment roll contained in the feasibility report provided to the appraiser by the City. All six properties are currently zoned FR, Farm Residential and guided in the comprehensive land use plan for LDR, Low Density Residential use, which essentially reflects single-family home development with urban services (municipal water and sanitary sewer).

**Special Benefits Appraisal Proposal - BRKW Appraisals, Inc.**  
**City of Blaine Improvement Project No. 17-07**  
**Lever St. NE, From 125th Ave. NE to 132nd Ave. NE Alignment**  
**Properties To Be Appraised**

Property No.	Owner	PID #	Address	Approx. Land Area (Ac.)	Comments
2	Irene Tamblyn	013123310003	12730 Lever St. NE	24.62	Current use is farm/greenhouse operation; significant wetland and ditch-encumbered areas along west and south edges
3	Daniel & Myia Fish	013123310004	12860 Lever St. NE	4.94	Single-family home/hobby farm on acreage; some wetland areas present in NE portion
10	Gerald Clarey	013123130003	12901 Lever St. NE	19.46	Two adjoining commonly owned agricultural parcels which would be valued as one property; west parcel fronting Lever St. NE contains farm house and outbuildings
	" "	013123140002	---	19.87	
	Property Total			39.33	
13	Charles & Kathleen Marohl	013123430007	---	12.46	Essentially unimproved agricultural land with significant amounts of wetland and drainage ditch encumbrances
14	Michael & Molly Klass	013123430006	12551 Lever St. NE	1.78	Single-family rural residential property - no apparent wetlands
15	Ronald & Beth Tamblyn	013123430001	4601 125th Ave. NE	3.88	Single-family home/hobby farm on acreage, accessed from 125th St. NE

**Multiple-Parcel Property:** Property 10 in the table above includes two adjoining tax parcels under common ownership, the first of which fronts the east side of Lever Street NE, and the second of which adjoins the first parcel to the east, but does not front Lever Street. To conform with proper appraisal methodology, especially as it pertains to the analysis and conclusion of highest and best use, the appraiser must consider the "larger parcel," where applicable, and not limit the analysis to just one tax parcel, unless there is a separate and distinct highest and best use for the one tax parcel relative to adjoining, commonly-owned parcel(s). This requirement holds true even if the City intends to assess only one of the tax parcels in a multi-parcel property.

In the case of Property 10, given the fact that both adjoining tax parcels comprising this property are commonly owned, contiguous and currently used together, with the same zoning and land use guiding, it is clear that the two adjoining tax parcels would be bought and sold together and would be used/developed together subsequent to the introduction of a new urban street section with water and sanitary sewer utilities. As such, the two adjoining tax parcels comprise one property from a valuation perspective. Consequently, the two tax parcels of Property 10 will be valued as one property for special benefits purposes. Any special benefit concluded for the overall property will be allocated between the two tax parcels on a pro-rata basis relative to their share of the total land area of the overall property.

## Scope of Work

Special Benefits Addressed In Appraisal: The six subject properties are proposed to be specially assessed for only the street (and storm sewer) portion of the improvements upon completion of the project. Though all six properties also will abut water and sanitary sewer improvements upon project completion, they are not planned to be charged for this infrastructure until the time at which the properties develop and/or connect to these utilities. The payment for each property's share of access to the utilities portion of the project improvements will be in the form a future connection charge rather than a current special assessment. Therefore, the City of Blaine requires opinions of special benefits for each subject property associated with the street/storm sewer portion of the Lever Street NE project only. Consequently, **in this appraisal, the special benefits opinions reported will be limited to those pertaining to the street/storm sewer portion of the project.**

Valuation Methodology: The special benefits appraisal will be based on a before-and-after valuation methodology. This involves developing an opinion of the property market value as it exists before the proposed street improvements, and also concluding an opinion of the market value of the property assuming the improvements are completed. The difference between the before and after values reflects an opinion of special benefit to each property resulting from the street improvement project.

Though special benefits opinions pertaining only to the street portion of the project will be provided, the valuation analysis applied to arrive at such opinions will take into consideration the impact on the highest and best use of the subject properties as a result of both the street and utility (water/sanitary sewer) portions of the project. The entire project must be considered in terms of how the highest and best use of each of the properties may change as a result of the project improvements, even if conclusions of special benefits for only the street portion are reported in the appraisal.

For at the three smaller subject properties (Properties 3, 14 and 15), reflecting homes on relatively small rural residential acreage tracts, it is anticipated that both the land and building components will be valued before and after the project improvements for the purpose of arriving at special benefit conclusions. Valuing both the land and building(s) is necessary for at least these three properties to properly determine whether it is feasible to keep the remaining homes and subdivide some of the land for one or more additional urban residential lots once the project improvements are in place.

For the three properties comprising larger tracts of land, where the value of the existing buildings and supporting site improvements, if any, are rather minor relative to the value of the underlying land after the project improvements are in place, it is anticipated that only a land valuation will be required to provide an opinion of special benefits attributable to the new urban street section improvements. The primary reason is that completion of the project likely will result in a fundamental change in the highest and best use of the properties, rendering their current uses as interim uses until the tracts are ready for redevelopment, given the presence of the urban street and water/sanitary sewer utilities necessary to support such redevelopment into subdivided residential lots.

Appraiser Assumptions and Information/Input to Be Provided by City: In completing the appraisal, the appraiser does not intend to view the subject properties beyond what can be viewed from the public road right of way and aerial photography; the appraiser will not be walking upon the properties or viewing the interior of the buildings on the properties. Consequently, the properties will be valued based on a number of assumptions made about them, given the lack of full property viewings. The assumptions which apply to the properties and their valuation will be clearly stated in the appraisal report.

The appraiser also will request whatever information or input the City can provide about the subject properties and planned/potential development activity in the project area that will aid in a more informed completion of the appraisal. Information provided by the City likely will help to reduce the number and extent of assumptions the appraiser must make to properly complete the appraisal, which in turn will enhance the reliability of the results of the valuation assignment.

Examples of information likely to be requested of the City include the following:

1. Square footage, age and other descriptive factors pertaining to buildings on some of the subject properties, including, where needed, age/condition of existing septic systems and wells;
2. Information aiding the appraiser in quantifying unbuildable land areas on properties to the most accurate extent possible (e.g., wetlands, ditch and other easement encumbrances, presence of high water table areas or poor loadbearing soils, etc.);
3. Input regarding minimum lot requirements and other City requirements affecting the potential for subdividing one or more lots from the existing homesites of the smaller properties; and
4. Information pertaining to current and planned development activity in the City as a whole and in the project area in particular, including any information and projections related to the chronological order in which parcels in the project area are likely to be developed and the amount of time that will elapse before the project area becomes fully developed.

### **Report Type**

The results of the appraisal of all six subject properties will be communicated in one report, presented in a **Restricted Appraisal Report** format, which meets the minimum requirements of content that must be contained in an appraisal report as mandated by the Uniform Standards of Professional Appraisal Practice (USPAP). In a Restricted Appraisal Report format, the focus is on stating the main points and conclusions of the appraisal process, rather than discussing in detail the properties and illustrating the valuation methodology used in arriving at the appraiser's value opinions. The appraisal process and its results are presented in a very brief manner, with significant supporting data, notes, and analyses retained in the office work file of the appraiser.

The primary function of the Restricted Appraisal Report connected to this valuation assignment is to communicate to the client whether proposed or contemplated property assessments in accordance with the City special assessment policy can be sustained by at least an equal increase in the market value of the property as a result of the proposed improvement project; the primary function of the report is not to document and prove within the report how the appraiser's conclusion of any market value increase was reached.

The Restricted Appraisal Report will contain, for each subject property, an opinion of the special benefit, if any, resulting from the street portion of the proposed improvement project. The report will provide commentary on the various factors and circumstances influencing the final conclusions of benefit to the properties. The valuation methodology used to develop the opinions of special benefit will be described in a summarized manner. However, the report, due to its brevity, will not present comparable sale data or adjustment grids used to arrive at the value opinions.

Assuming that the appraisal is to be used internally by City officials only (for the purposes of determining the increase in property market value relative to proposed or contemplated assessments), the Restricted Appraisal Report format should sufficiently serve the intended use and at the same time provide significant economies pertaining to the time spent writing the report versus completing the analysis and valuation. These economies are reflected in the proposed appraisal fee. **Given the brevity of the Restricted Appraisal Report format, it is restricted for use and designed to be read by the client only** (in this case the City of Blaine), since others not substantially familiar with the properties, project and/or valuation process may not fully understand the report without the supporting information retained in the appraisal work file.

Should the need arise, subsequent to the submittal of the initial Restricted Appraisal Report (e.g., if owners of one or more of the properties in the project area appeal a special assessment), an expanded special benefits appraisal report individually addressing any one or more of the subject properties, with full documentation of the valuation process, could be produced by our firm. This offer is based on the assumption that an adequate amount of time is allowed and an additional fee is agreed upon for such an individual, expanded report.

### **Proposed Appraisal Fee**

Based on the anticipated scope of work involved in completing this assignment, I propose the following appraisal fee: **\$30,000**

### **Completion Date**

The appraisal report will be completed by **no later than March 16, 2018**. To deliver on this completion deadline, our firm would need authorization from the City to proceed on this assignment by no later than November 6, 2017.

### **Payment Terms**

The appraisal fee would be invoiced to the City in two equal installments (\$15,000 per invoice). The first invoice would be issued to the City at the time at which approximately half of the work on the appraisal assignment is complete. The second invoice would be issued when the assignment has been completed, at the time the appraisal report is transmitted to the City. Payment of each of the invoices would be due within 30 days of their invoice dates.

### **Deliverables**

A high-quality, full-color electronic copy of the appraisal report, in .pdf form, will be emailed to you upon completion of the assignment. Should the need or desire arise for one or more hard copies of the report as well, our firm could print, bind and mail to you such hard copies, upon your request, with sufficient advance notice.

### **Additional Information**

I have been a real estate appraiser for 25 years, of which more than 23 years has been spent at BRKW Appraisals, Inc. At the beginning of 2007, I became a principal of the firm. During the past 15+ years, I have completed numerous special benefit appraisals on commercial and residential properties for several Minnesota cities including Eagan, Woodbury, Savage, Cottage Grove, Maplewood, Prior Lake, Robbinsdale, North Branch, Hastings, Northfield, Cambridge, Lonsdale, Owatonna, Rochester and Austin, among others. I also have worked on numerous right of way appraisal projects for cities as well as for Mn/DOT, and for counties within or adjoining the Twin Cities metro.

I have district court testimony experience pertaining to the appeal of special assessments and pertaining to right of way condemnation cases, as well as extensive experience as an expert witness in commissioners' hearings for condemnation cases. In conclusion, the proposed assignment is highly specialized, in terms of scope of work and expertise required to complete the work properly. I have the skills and background required for this job. Attached for your reference is a copy of my Professional Qualifications. For additional insight into our firm, please visit our website at [www.brkw.com](http://www.brkw.com).

### **Engagement for Completion of Assignment**

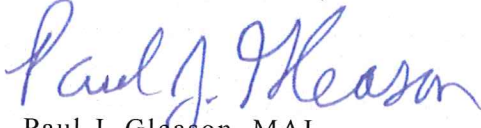
To engage our firm to complete the appraisal assignment in accordance with the description above and on the preceding pages of this proposal, please have the appropriate City personnel execute this agreement by providing their signatures in the area provided on the next page, and then return a fully executed copy of this proposal to me.



Thank you, Mr. Schluender, for the opportunity to submit this proposal. Please contact me at 651-646-6114 ext. 3 or [pgleason@brkw.com](mailto:pgleason@brkw.com) with any questions or comments you may have.

Sincerely,

BRKW APPRAISALS, INC.



Paul J. Gleason, MAI  
Principal

Attachment

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We accept the terms and conditions of this engagement letter for appraisal services by BRKW Appraisals, Inc., pertaining to the subject properties and improvement project referenced in this letter (6 properties within area of City of Blaine Improvement Project No. 17-07 – Lever St. NE, from 125<sup>th</sup> Ave. NE to 132<sup>nd</sup> Ave. NE Alignment) dated October 23, 2017.

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Signature

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Date

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Printed Name/Title

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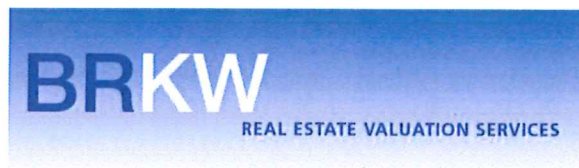
Signature

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Date

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Printed Name/Title



**PROFESSIONAL QUALIFICATIONS**  
**PAUL J. GLEASON, MAI**

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**PROFESSIONAL MEMBERSHIPS AND ASSOCIATIONS**

**MAI Member** – The Appraisal Institute

**APPRAISER LICENSE**

**Certified General Real Property Appraiser** – State of Minnesota –  
License #4003073

**EDUCATION**

**University of Wisconsin at La Crosse, Wisconsin** – 1985  
Bachelor of Science Degree in Business Administration

**PROFESSIONAL EXPERIENCE**

Principal – BRKW Appraisals, Inc., St. Paul, MN, 2007-present

Staff Appraiser – BRKW Appraisals, Inc., St. Paul, MN, 1993-2006

Appraiser – Certified Appraisers, Excelsior, MN, 1993

Appraiser – Stiles Appraisals, Inc., Plymouth, MN, 1992-1993

Expert Witness Testimony – For real estate litigation in numerous condemnation commissioners' hearings, arbitration hearings and in District Court

Presenter/Speaker at Minnesota Department of Transportation's 2016 Right Of Way Professionals Workshop, Brainerd, MN

Presenter/Speaker at Minnesota Department of Transportation's 2014 Right Of Way Professionals Workshop, Brainerd, MN

Presenter/Speaker at Minnesota Department of Transportation's 2012 Right Of Way Professionals Workshop, Brainerd, MN

Presenter/Speaker at Minnesota Department of Transportation's 2010 Right Of Way Professionals Workshop, Breezy Point, MN

Appraisal assignments have been completed for the following purposes:

Condemnation – Partial and total acquisitions, in fee title and in easement form

Property Damage Claims Litigation

Special Benefits Valuation

Mortgage Financing

General Valuation Needs – Purchase negotiations, listing prices, internal family or partnership transactions, estate planning/taxes, marriage dissolution, etc.



**PROPERTY TYPES APPRAISED**

Land – Commercial, industrial, residential acreage, agricultural, finished lots  
Commercial Buildings – Office, industrial, retail, medical office, auto dealerships  
Apartment Buildings/Complexes  
1-4 Family Residential – Single-family home, townhome, condo, duplex, fourplex

**PROFESSIONAL REAL ESTATE STUDIES**

Appraisal Institute courses, including all required for MAI designation:

Course 110: Appraisal Principles (examination passed)  
Course 120: Appraisal Procedures (examination passed)  
Course 210: Residential Case Study  
Course 310: Basic Income Capitalization  
Course 410: National Uniform Standards of Professional Appraisal Practice  
Course 420: Business Practices and Ethics  
Course 510: Advanced Income Capitalization  
Course 520: Highest and Best Use and Market Analysis  
Course 530: Advanced Sales Comparison and Cost Approaches  
Course 540: Report Writing and Valuation Analysis  
Course 550: Advanced Applications

Numerous additional classes and seminars for appraisal pre-license and continuing education requirements, on an ongoing basis, from Appraisal Institute and other sources

**CLIENTS INCLUDE**

Cities of Afton, Austin, Apple Valley, Cambridge, Cottage Grove, Eagan, Lino Lakes, Maplewood, Oak Park Heights, Owatonna, Prior Lake, Rochester, Savage, Wabasha and Woodbury, among others

Anchor Bank	Associated Bank
BMO Harris Bank N.A.	Bremer Bank
Bridgewater Bank	Dougherty, Molenda, Solfest, Hills & Bauer, P.A.
Eckberg, Lammers, Briggs, Wolff & Vierling, PLLP	Greene Espel PLLP
Minnesota Bank & Trust	Minnesota Dept. of Transportation
US Bank	Western Bank

And various other individuals, attorneys, communities and counties

Revised: July 1, 2017