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May 17, 2012

Scandia City Council
14727 209th St. North
Scandia, MN 55073

Re: Review of appraisal measuring the impact of property values within a one-mile radius of the Proposed Zavoral Mining and Reclamation Project in Scandia, MN.

Honorable Mayor and Council Members:

We asked Shenehon Company (Shenehon) to provide a review (Review) of the BRKW Appraisals Report Dated August 12, 2011 (BRKW Report) prepared to support the analysis on the impact on property values within a one-mile radius of the proposed Zavoral Mining and Reclamation Project (Project) prepared for the City of Scandia by Mr. Michael J. Bettendorf, MAI of BRKW Appraisals, Inc. This Review was commissioned for the purpose of evaluating the methodology used in the BRKW Report and providing Shenehon's opinion based on the information in the BRKW Report. Based upon this work it appears that the appraisal conclusions as stated are inadequate for several reasons.

First, the BRKW Report conclusion that there is a diminution in market value of 2%-5% for properties within $\frac{1}{4}$ mile of the proposed Project is not supported by measurable data. Page 3 of the cover letter states that, "The sales data contained in this analysis reveals that the market fails to recognize a measureable impact, based on proximity to an existing gravel mine or perceived hazard area." It is unclear how the appraiser was able to conclude a 2%-5% diminution value if the data used in the analysis did not recognize a measurable impact. In this regard we asked Shenehon to provide an analysis of relevant sales transactions and provide measurable data to support a conclusion about the impacts on property values within a one-mile radius of the Project, if mining operations were to resume. The data obtained did not show a measureable impact.

Second, the appraiser in the BRKW Report rejected the use of local valuation data from properties in the vicinity of the current mining operation in Scandia and the nearby similar operations in Franconia Township. The conclusions in the BRKW Report are the



result of comparisons of properties in urban/suburban settings whereas the proposed Project is zoned agricultural and located in a rural area. An adequate analysis should include evaluation of the most relevant data representative of Project conditions. It is understood that the appraiser was attempting to find comparable homes similar to one another, however, it seems more reasonable to use sales data as close to the proposed Project as possible. By maintaining proximity to the Project, differences in location, density and land use are minimized versus selecting mining sites all across the metro area and having more adjustments to consider.

Finally, neither the Zavoral DEIS nor the BRKW Report appear to have considered the information from an appraisal prepared by BRKW for a DEIS of the Proposed Xcel Energy Ash Disposal Facility¹. The information in the Xcel DEIS used some of the exact same sales data that was used in the Zavoral DEIS, but concluded that the fly ash landfill would *not* adversely affect current property values *or* future development. Xcel Energy proposed a fly ash landfill located in West Lakeland Township, Minnesota. The Report completed for the Xcel DEIS included a valuation impact analysis on properties located in Oak Park Heights, Rosemount and South Andover. All five of the sales in South Andover used in the impact analysis for the Xcel DEIS are the same sales used in the BRKW Report's appraisal for this Project's DEIS. Similarly, there are three sales that occurred in Rosemount used in the BRKW Report's appraisal for this Project's DEIS that are identical to sales used in the Xcel DEIS. Despite the use of some of the exact same sales data, the results of the appraisals for the Xcel DEIS versus the Zavoral DEIS yield two different conclusions. The proposed Xcel fly ash landfill was determined to have *no* negative impact on property values *or* future development. Contrarily some of the same sales data revealed that the proposed Zavoral Project was determined to have a 2%-5% potential value loss to properties.

Once Shenehon determined the appraisal completed by BRKW for the Zavoral DEIS "...did not demonstrate a measurable impact on market value of residential dwellings...", they were retained to provide a Consulting Report (Report). The purpose of this Report was to measure the impact on market value of residential dwellings within a one-mile radius of the proposed Project if mining operations were to resume for no more than five years and simultaneously reclaimed for residential use. The Report was completed by Shenehon on August 12, 2011 and used a sales comparison approach to the valuation. The analysis was based on residential sales that occurred in the Scandia area from January 1, 2010 through November 1, 2011.

Although sales are fewer in Scandia compared to the Metro Area, it was believed that the most applicable data would be obtained from Scandia sales since the proposed Project is located in Scandia. In addition, there are active gravel mines in the Scandia area that were sufficient for use in the sales analysis.

¹ Minnesota Pollution Control Agency. 2007. Xcel Energy Ash Disposal Facility Draft EIS. Appendix H: Appraisers Report.



The Consulting Report prepared by Shenehon concludes that there is no measureable impact on the market value of residential dwellings located within one mile of the proposed Project.

Enclosed are the Review and Report prepared by Shenehon. If you have any questions please do not hesitate to call. I may be reached at (763) 425-4191.

Sincerely,

Tiller Corporation

A handwritten signature in black ink, appearing to read 'Michael Caron', with a stylized flourish at the end.

Michael Caron
Director of Land Use Affairs

enc: