

May 28, 2020

David E. Bennett, P.E.
Public Works Director/City Engineer
City of Northfield
801 Washington Street
Northfield, MN 55057

Re: City of Northfield 2020 Street Mill and Overlay Project – NE Area
Response to Carleton College Special Assessment Objections:
1. Fred Rogers 5/19/2020 Assessment Hearing Comments
2. Fred Rogers 5/27/2020 Follow-Up Letter

Dear Mr. Bennett:

In accordance with your request, within this letter I am providing you and the City of Northfield with my responses to questions and issues that have been raised by a representative of Carleton College pertaining to my special benefits appraisal of properties located in the “NE Area” project area of the City of Northfield 2020 Street Mill and Overlay Project. Some of the properties in this project area that I included as subject properties in the special benefits appraisal are owned by Carleton College, and others are not.

Fred Rogers, Vice President and Treasurer of Carleton College, attended the special assessment hearing pertaining to the project, which was held on May 19, 2020. Mr. Rogers spoke at the hearing, and you have provided a transcript of his comments at the hearing. On later pages within this letter you will find the transcript of Mr. Rogers’ comments, which are imbedded with my responses to those comments, if applicable (if they directly relate to questions or issues raised about my special benefits valuation approach, methodology and conclusions).

Mr. Rogers also submitted a letter to the City Clerk, dated May 27, 2020, which was presented as a follow-up to his letter of May 14, 2020 and his attendance at the May 19, 2020 assessment hearing. The follow-up letter addresses various questions and issues regarding the proposed special assessments related to the 2020 mill and overlay project, some of which directly pertain to my special benefits valuation, and some of which pertain to the City’s process followed in determining the assessments. On later pages within this letter you will find the contents of this follow-up letter. Imbedded within the follow-up letter are my responses, as applicable. I have provided responses only in the parts of the follow-up letter which directly relate to questions or issues raised about my special benefits valuation approach, methodology and conclusions.

Please note that although Pages 3 and 4 of the follow-up letter do reference some issues pertaining to my appraisal methodology and conclusions, but are not followed by responses from me, any such responses applicable on my part have already been provided within the responses addressing the same issues raised on Page 2 of the follow-up letter.

Please contact me if you have questions regarding my responses shown on the following pages, or if you would like additional information or comments pertaining to this matter.

Sincerely,

BRKW APPRAISALS, INC.



Paul J. Gleason, MAI
President and Principal
Certified General Real Property Appraiser
MN License No. 4003073

TRANSCRIPT OF FRED ROGERS' COMMENTS
5/19/2020 ASSESSMENT HEARING

Fred Rogers, Vice President and Treasurer of Carleton College, Public Hearing comments related to the May 19th Assessment Hearing for the 2020 Mill and Overlay Project.

I would like to submit a request regarding the proposed assessments. Carleton College is the owner of a number of properties along the project and we are not opposed to paying assessments.

We feel the benefit assessment approach taken to establish assessments has overstated the value to all properties, including Carleton. Total assessments are \$1.35M and Carleton's portion is approximately \$400,000 or 29% of the total assessments. This is purported to be the increase in market value of the college properties due to the proven project. It is not clear to us how the project will increase the market value of any of the properties in the benefit area - not just Carleton College.

APPRAISER'S RESPONSE

It is the appraiser's opinion that replacing deteriorated pavement, and sections of concrete curb/gutter that also are deteriorated, significantly and materially improves the function, condition and appeal of the streets in the project area; and that such material improvements result in an increase in value of properties abutting and/or served by these streets.

Most challenging to us is the fact that the after value defined in the appraisal, a portion of which is to be taken through the assessments, is actually the current estimated market value before the project was initiated.

APPRAISER'S RESPONSE

The after value is not reflective of the estimated market value before the project was initiated. The after value reflects the scenario in which streets have new bituminous pavement and repaired/replaced adjoining curb and gutter in place, where needed. The before value is the current value, reflecting streets in the project area with worn, cracked pavement needing replacement and deteriorated concrete curb/gutter in various areas. There is a notable difference between the before and after situations, in terms of the condition of streets and adjoining curb/gutter in the project area.

The college also questions the appraiser's choice of land area to include in calculating the benefit to the college. The 75 acres of campus includes multiple parcels that do not abut on the proposed areas for improvement.

APPRAISER'S RESPONSE

The total number of tax parcels that are within the approximately 75.5-acre portion of the Carleton College campus concluded to benefit from the project and which also abut the streets to be improved is not a relevant factor. The 75.5 acres are defined and analyzed as one unified "larger parcel" in which the buildings and supporting site improvements all work together as one cohesive component, comprising the main portion of the college campus lying east of Highway 19 and south/southwest of Lyman Lakes and Spring Creek.

The tax parcels within the 75.5-acre concluded benefiting land area are interconnected with each other and mutually important to each other, regardless of whether they abut the streets to be improved as part of the project. Since these multiple parcels all work together as one unit, they are valued as one unit, before and after the project, and thus they are all also concluded to specially benefit from the project as one unit (see Multiple Tax Parcel Property discussion on Pages 13 and 14 of appraisal report for further explanation).

The appraiser's conclusion that this entire 75.5-acre unit of land receives special benefits from the project would remain the same, regardless of whether this area comprised only one tax parcel, comprised all or portions of 21 tax parcels as identified in the appraisal, or comprised more than 21 tax parcels.

Moreover, major portions of this area of the campus are served by an entry from TH 19 or Wall Street Road and some of the area is in a floodplain or otherwise low lying and undevelopable.

APPRAISER'S RESPONSE

Regarding portions of the 75.5 acres being served by an entry from Highway 19 and Wall Street Road: The benefit conclusion for the 75.5-acre Carleton parcel has already accounted for the fact that the streets improved by the project are not the only ones serving this parcel.

There are six major access points serving the 75.5 acres: Five at the south end along 1st Street, at its intersections with Union, College, Winona, Nevada and Maple Streets; and one at the northwesterly end along Highway 19. The five major access points at the south part of the parcel are improved as part of the project; the sixth major access point, Highway 19, is not. If all six major access points were improved as part of the project, the appraiser would have concluded a 6% increase in the value of the 75.5-acre parcel. However, since only 5/6ths of the major access points were improved, a benefit of 5/6th of 6%, or 5%, was concluded.

Wall Street Road is not considered a major access point to the 75.5-acre parcel, as there is very little frontage along the parcel, and it abuts land that is secondary in terms of utility, given its remote location relative to the main part of the campus site and the presence of significant areas with steeply sloping topography. Major access points are those that have the potential to generate significant vehicular trips to and from the parcel.

There is negligible, if any, trip generation potential to and from the 75.5-acre parcel along the Wall Street Road frontage. Thus, the presence of Wall Street Road, in terms of its factoring into the analysis of major access points serving the parcel, is negligible, and was therefore disregarded in the analysis.

Regarding some of the 75.5 acres being in a floodplain or otherwise low lying and undevelopable:

The benefit conclusion for the 75.5-acre Carleton parcel has already accounted for the fact that about 13% of this delineated parcel contains secondary land areas in the form of floodplain, wetland and remotely located portions with steeply sloping topography.

The appraiser's conclusion of the approximately 75.5-acre portion of the Carleton College campus being specially benefited by the project includes a contiguous land area of about 73 acres, plus a 2.5-acre city block in close proximity to this contiguous area bounded by 1st, 2nd, Union and College Streets.

Of this approximately 75.5-acre area, the appraiser's measurements indicate that about 5.6 acres (7%) contains wetland and floodplain areas, and about 4.4 acres (6%) is relatively remote and currently undeveloped, located at the extreme southeast corner of the contiguous site, with an irregular shape and a large portion containing fairly steeply sloping topography. The total land area including wetland, floodplain and the remote area at the extreme southeast corner is approximately 10 acres, or 13% of the total property land area of 75.5 acres.

The appraiser acknowledges that this area representing 13% of the total, mostly contiguous portion of the Carleton Campus parcel valued for special benefits purposes is not fully usable or developable, relative to the balance of 87%. However, the land is judged to have some utility and contributory value. Currently, much of this 13% portion serves athletic field and recreational/trail uses which arguably benefit to some extent from the presence of the streets in the project area, since they arguably contribute some vehicular trip generations to and from the campus via these project area streets. Consequently, this land should not be excluded when arriving at a conclusion of the portion of the college campus land area having potential to benefit from the project.

On the other hand, it should be duly recognized that this 13% secondary land area does not contribute to the overall value of the 75.5-acre parcel at the same rate as the other 87% contributes to the overall value.

The appraiser reflected the secondary importance and secondary value of the 13% portion by effectively reducing the value of the overall 75.5-acre parcel by 10% in the land valuation (see Shape/Utility adjustments made to the comparable land sales in the adjustment grid on Page 83 of the appraisal report, together with narrative explaining those adjustments on Page 80). If the secondary land area had no value whatsoever, the overall land parcel would have been reduced in value, relative to the comparable sales with no secondary land, by 13%, effectively wiping out the potential for any special benefit from the project accruing to this secondary land. However, since there is some contributory value, the overall land parcel was reduced in value by 10% to reflect the situation. Ten percent divided by 13% equals 77%. Effectively, the contributory value of the secondary land has been reduced by 77%, in relation to the contributory value of the primary land. Effectively, the amount of special benefit has also been reduced by 77% within the secondary land area, relative to the special benefit attaching to the primary land area.

In summary, given the foregoing discussion, the presence of secondary land within the 75.5-acre parcel, which does have some value and does have some potential for benefit as a result of the project, albeit at a lesser magnitude relative to the primary land, has been reflected in the valuation.

The presumed highest and best use of the campus land as stated in the appraisal was as residential development at a density of four units per acre which, we think, was overstated given the land areas adjacent to the campus to the south.

APPRAISER'S RESPONSE

Many of the city blocks in the project area south of the campus have 9, 10 or 11 homes per block. Each block is 2.5 acres in size. An average number of 10 homes per block divided by 2.5 acres yields a density of 4 units per acre. The concluded development density potential on the 75.5-acre Carleton College parcel of about 4 units per acre would be highly compatible with that of existing areas adjoining it to the south.

Whatever approach is used to assess the value before and after the proposed project, we believe it should be applied to a reasonably benefitting area of the campus and not to areas served by other roads nor to floodplain areas.

APPRAISER'S RESPONSE

These issues have already been addressed by the appraiser on preceding pages.

As a result of these concerns, we ask that the City Council reconsider this assessment methodology. Basing it on a presumed increase in value seems flawed in the case of a mill and overlay maintenance project. All of the current concrete curb and gutter repairs are replacements for existing concrete curb and gutter – not an improvement of circumstance.

APPRAISER'S RESPONSE

In the appraiser's opinion, the mill and overlay improvements and the repair of deteriorated curb and gutter, as needed, rises substantially above what would be considered a maintenance project. It is also the appraiser's opinion that the project improvements are substantial enough to cause buyers to pay more for abutting properties than they otherwise would, in the absence of the project improvements.

And finally, the appraiser's judgement that all properties in this area would benefit by approximately a 6% increase in value seems to be unsubstantiated and we believe should be re-evaluated.

APPRAISER'S RESPONSE

It was necessary for the appraiser to apply judgment in arriving at an opinion of special benefit from the mill and overlay project in question since, though market data were available indicating the approximate increase in value due to a total street reconstruction (12% to 13%), no data were available specifically addressing lesser but still substantive improvements, such as mill and overlay. Such lack of specific data does not mean that there is no benefit resulting from this project.

The appraiser interpolated a benefit amount between 0% and 12% to 13%. A mill and overlay project, with curb/gutter replacement as needed, is judged be of a magnitude of improvement such that it falls approximately midway between no work being done at all on one end of the spectrum, and having a complete reconstruction of the streets on the other end of the spectrum. This judgment results in the concluded special benefit of 6% (except where otherwise noted, such as the case of the 75.5-acre Carleton College main campus parcel, in which a special benefit of 5% was concluded).

I have discussed these concerns with the City Staff in a very constructive conversation and we look forward to working through to a mutual understanding and agreement of how to best support this important work of the city. Thank you for hearing from me.

FOLLOW-UP LETTER FROM FRED ROGERS DATED 5/27/2020

Carleton

FRED ROGERS, *Vice President and Treasurer*

frogers@carleton.edu | 507.222.5411

May 27, 2020

Ms. Deb Little
City Clerk, City of Northfield
City Hall
Northfield, MN. 55057

Re: Concerning Special Assessment for the 2020STRT – A45 Mill and Overlay Project.

Dear Ms. Little,

In follow-up to our letter of May 14 and the City Council public hearing of May 19, we are submitting the following additional information. This letter is in response to questions raised by members of Council at the hearing and to be more specific about our request for adjustment. We look forward to working through a mutual understanding and agreement of how to best support this important work of the City.

A. Questions Raised by Members of City Council

1. Why was the Small Educational Institutional property assessed less than the Large Educational Institutional Property?

These two properties were appraised at the exactly same value of \$2.67 per sq ft. The assessed increase in value was calculated the same way, as if it were 6%. Because the two parcels were of a different size the total assessment was different, based only on their square footage. On an equivalent area basis they were assessed the same.

As the appraiser noted, the Small Educational Institutional parcel has frontage on four streets whereas the Large Educational Institutional parcel fronts on only one. The proration to the linear feet of frontage was different because of their different shape and relationship to the street and thus different amount of frontage. The assessment for these two types of property was determined based on their land area not their frontage because they are unique types in the appraisal.

2. Why were the houses on Union St, for example 107 or 109 Union assessed at such a low rate - \$530 or \$430 each in total, versus a typical residential property that would have been assessed at \$65 per foot of frontage?

These properties were included in the CD-S Zone Carleton College Property assessment. This 75.5 acre portion of the Carleton campus was assessed at a total increase in value of \$250,600. This value was then prorated across each of the 21 tax parcels in the 75.5 acres. Because the

two properties on Union St are small in relationship to the total area in this assessment, they received a small allocation.

Other Carleton parcels in this same property type were assessed at a larger value. For example the portion of tax parcel 22.31.40.0001 was assessed a value of \$131,410 although none of parcel 22.31.40.0001 actual fronts on the project area.

3. Shouldn't Carleton pay extra because of the additional 'wear and tear' from truck traffic during the recent campus construction?

Carleton worked with the City of Northfield public works staff to identify an appropriate and limited truck route from the nearby state highways to the campus. As confirmed by our contractor, McGough, all trucks making deliveries to the campus were required to adhere to the Minnesota Department of Transportation guidelines for over the road truck travel.

We have asked for any information available to the City that would indicate that the truck route streets were exceptionally deteriorated or requiring additional reconstruction. We believe that they were not. This is consistent with the requirement that all construction traffic meet the Minnesota Highway standards, as those standards are intended to prevent damage from excess loads. If there is documentation to substantiate this issue we would appreciate reviewing it with City staff.

B. What is Carleton asking to have done as an adjustment for the proposed assessments?

As noted in our letter of May 14, 2020 to the City Clerk, Carleton has two principal objections to the assessment calculations.

1. Carleton believes that the assumed 6% increase in value for all properties in the Benefit area is too large and unrealistic. We believe that this unsubstantiated conclusion excessively assesses all parcels in the Benefit Area, including but not limited to Carleton.

We would propose a reduction to 3% as a more realistic increase. We believe that the current 6% estimate constitutes an unfair taking of value from all of the affected property owners, including Carleton.

APPRAISER'S RESPONSE

The appraiser's analysis has resulted in the conclusion that if no work were done in the project area, there would be 0% benefit to abutting properties; and if the streets in the project area were completely reconstructed, and they were in need of such complete reconstruction, there would be a benefit of about 12% to 13%. The streets and curb/gutter in the project area fall within the middle of this spectrum, in that they are in need of a mill and overlay improvement with spot repair/replacement of curb and gutter.

Based on the judgment of the appraiser, the proposed improvements are of the magnitude of being approximately midway between having no work done and having a complete reconstruction done. Therefore, the appraiser's benefit conclusion is 6%, unless otherwise noted (such as in the case of the 75.5-acre Carleton College campus parcel where a benefit of 5% was concluded).

2. Carleton believes that the 75.5 acres of the campus which were assessed, arriving at the assessment for the main campus land of \$250,600, is based on an excessive estimate of land potentially benefiting from the project. This area includes 25 acres that are in the Spring Creek valley, are lower lying or hillside and/or have direct frontage on Highway 19 or Wall Street Road. Some of this area is actually designated as flood plain or is the actual roadway accessing Highway 19.



APPRAISER'S RESPONSE

Regarding the assertion that the 75.5-acre benefiting land area amount is excessive due to 25 acres being in the Spring Creek valley, are lower lying, are hillside and/or are in the flood plain:

The appraiser acknowledges that about 10 acres, or 13% of the 75.5-acre campus parcel concluded to specially benefit from the project, is secondary in terms of its usability. However, this does not mean that the land should be excluded from consideration of benefit altogether. Though the rate of contributory value of this land is arguably lower relative to the primary area comprising 87% of the parcel, it still has some value, and thus it still has potential to receive benefit from the project.

In valuing the 75.5-acre parcel, the overall parcel value was reduced by 10% to reflect that the secondary area has a limited rate of contributory value. If the secondary area had no value whatsoever, the value of the overall parcel would have been reduced by 13%, before applying an estimate of the special benefits accruing to it. Since there is some value within the secondary land area, the full 13% of the overall parcel value was not deducted. Ten percent divided by 13% is 77%. In effect, the secondary land area was reduced in value by 77%, relative to the primary area, and in turn the amount of special benefits concluded to flow to this land also was reduced by 77%, relative to that concluded to accrue to the primary area. In summary, the presence of this secondary land with its lower rate of contributory value, though not completely excluded from consideration, has been duly reflected in the valuation within the special benefits appraisal.

The appraiser's conclusion is that Mr. Rogers' assertion that 25 acres (33% of the 75.5 acres) should be excluded altogether from consideration for special benefits reflects an excessive amount, and that treating the 10 acres identified by the appraiser (13% of the 75.5 acres) as secondary in value and having some, though significantly limited, benefit potential is the most appropriate approach. Though there are areas on the parcel that are relatively low lying and sloping and are outside of the 10-acre secondary area identified by the appraiser, by no means is this land unusable or undevelopable. It is not unusual for a large tract such as that containing the 75.5 acres in question to have variations in topography and elevation. The appraiser's observation is that such variations have little, if any, impact on the price a buyer will pay, relative to a comparatively flat site, as long as the variations are not extreme. In the case of the 75.5-acre parcel, the variations are not extreme.

Regarding the assertion that the 75.5-acre benefiting land area amount is excessive due to some of it being served by Highway 19 or Wall Street Road:

The benefit conclusion for the 75.5-acre Carleton parcel has already accounted for the fact that the streets improved by the project are not the only ones serving this parcel.

There are six major access points serving the 75.5 acres: Five at the south end along 1st Street, at its intersections with Union, College, Winona, Nevada and Maple Streets; and one at the northwesterly end along Highway 19. The five major access points at the south part of the parcel are improved as part of the project; the sixth major access point, Highway 19, is not. If all six major access points were improved as part of the project, the appraiser would have concluded a 6% increase in the value of the 75.5-acre parcel. However, since only 5/6ths of the major access points were improved, a benefit of 5/6th of 6%, or 5%, was concluded.

Wall Street Road is not considered a major access point to the 75.5-acre parcel, as there is very little frontage along the parcel, and it abuts land that is secondary in terms of utility, given its remote location relative to the main part of the campus site and the presence of significant areas with steeply sloping topography. Major access points are those that have the potential to generate significant vehicular trips to and from the parcel.

There is negligible, if any, trip generation potential to and from the 75.5-acre parcel along the Wall Street Road frontage. Thus, the presence of Wall Street Road, in terms of its factoring into the analysis of major access points serving the parcel, is negligible, and was therefore disregarded in the analysis.

Regarding the assertion that the 75.5-acre benefiting land area amount is excessive because some of this area contains the actual roadway accessing Highway 19:

To the best knowledge of the appraiser, the 75.5 acres delineated and concluded as having potential for special benefit from the project does not contain any Highway 19 right of way.

C. How would these objections affect the proposed assessment calculations?

We believe that the residential rate and the educational rates should all be set lower. While it is not our place to appeal on behalf of other property owners, we believe that all assessments based on a 6% increase in value from this project are overstated. At an increase rate of 3%, the frontage rates for the Single Family, Small Educational Institution and Large Educational Institution would all be reduced as shown below.

	Estimated Current Value	Discount Rate %	Estimated "Before" Value	Estimated Increase To Be Assessed	Frontage	Frontage Rate
Residential						
BRKW Assessment	\$76,800	6%	\$72,453	\$4,300	66	\$65
Alternative	\$76,800	3%	\$74,563	\$2,237	\$66	\$34
Small Educational						
BRKW Assessment	\$203,900	6%	\$192,358	\$11,500	760	\$15
Alternative	\$203,900	3%	\$197,961	\$5,939	760	\$8
Large Educational						
BRKW Assessment	\$373,700	6%	\$352,547	\$21,200	431	\$49
Alternative	\$373,700	3%	\$362,816	\$10,884	431	\$25

In addition, we believe that the campus assessment should not be based on land that is remote from and does not benefit from the street improvements on First St.

The following table of examples focuses only on the CD-S Zoned Carleton College Property type in the appraisal. This proposed \$250,600 assessment (rounded) is a portion of the total \$397,765 total proposed assessments for all Carleton parcels in the Benefit Area.

	Campus Area (acres)	Value/Sq Ft	Estimated Current Value	Discount Rate %	Estimated "Before" Value	Estimated Increase To Be Assessed
BRKW Assessment	75.5	\$1.60	\$5,261,797	5%	\$5,011,235	\$250,562
Alternatives						
One	75.5	\$1.60	\$5,261,797	3%	\$5,108,541	\$153,256
Two	50.5	\$1.65	\$3,629,637	3%	\$3,523,919	\$105,718
Three	50.5	\$1.65	\$3,629,637	6%	\$3,424,186	\$205,451



D. What would be a fair adjustment in light of all of the circumstances?

As we believe this analysis shows, all properties in the Benefit Area are over-assessed. We believe that the Residential, Small Educational and Large Educational rates should all be adjusted downward, as illustrated in the examples above.

We also believe that the CD-S Zoned Carleton College Property is over-assessed as shown by the above analysis. In Alternative Two above we assumed that the lower acreage of 50.5 acres would be valued higher than the full acreage per sq ft. (\$1.65 vs \$1.60). Using the lower increase of value of 3% this would result in an assessment of \$105,718 for these 21 parcels. In Alternative Three we also assumed the lower acreage was appraised higher per sq foot and we assumed that full 6% increase would apply since we had removed property from the acreage,. Even with these adjustments in the direction of a higher assessment, Alternative Three results in an assessment of \$205,450 for the CD-S Zoned Carleton Property parcels. While we believe that Alternative Two is a fairer outcome, we understand that that is an extreme adjustment.

We ask that the City Council reduce the Carleton campus CD-S district assessment to the level of Alternate Three above. We ask that the other Carleton properties be adjusted downward at the same rate as is granted to other, non-Carleton properties in the other three property types in the Benefit Area.

I would be pleased to speak with you or others and to address questions from members of Council about the issues presented in this letter.

Sincerely,



Frederick A. Rogers
Vice President and Treasurer

cc: D Bennett, J Hargis

