

October 31, 2022

Will Seuffert  
Executive Secretary  
Minnesota Public Utilities Commission  
121 7<sup>th</sup> Place East, Suite 350  
Saint Paul, Minnesota 55101-2147

RE: **Comments of the Minnesota Commerce Department, Division of Energy Resources**  
Docket No. E002/PA-22-489

Dear Mr. Seuffert:

Attached are the comments of the Minnesota Commerce Department, Division of Energy Resources (Department), in the following matter:

Petition for Approval to Sell 348 Acres of Land at Sherco.

Bria Shea, Regional Vice President, Regulatory Policy with Xcel Energy filed the petition on September 1, 2022.

The Department recommends **approval of the filing with modifications except for Xcel's request for a variance** and is available to answer any questions the Minnesota Public Utilities Commission may have in this matter.

Sincerely,

/s/ JOHN KUNDERT  
Financial Analyst

/s/ HOLLY SODERBECK  
Financial Analyst

JK/ar  
Attachment



## Before the Minnesota Public Utilities Commission

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### Comments of the Minnesota Commerce Department Division of Energy Resources

#### I. INTRODUCTION

On September 1, 2022, Northern States Power Company *d/b/a* Xcel Energy (Xcel Energy or the Company) filed a petition (Petition) for approval of a property transfer. The property in question is approximately 348 acres located at the Sherco County Generating Station (Sherco) in Becker, Minnesota. The Company requests the Minnesota Public Utilities Commission (Commission) approve an Option Agreement between the Company and Elk River Technologies, LLC (Elk River Technologies). In the Petition, Xcel Energy states the sale will benefit its customers and stakeholders, specifically the Becker Community.<sup>1</sup> The Company is requesting the Commission approve the proposed transaction (Transaction) under Minn. Stat. § 216B.50. In addition Xcel is requesting the Commission specifically:

- Approve the transaction according to the terms and conditions stated in the attached Option Agreement.
- Approve the proposed accounting treatment of the sales revenue from these transactions so the gains can be passed on to customers as a one-time bill credit.
- Grant a variance to Minn. R. 7825.1800, subpart B as it relates to information required under Minn. R. 7825.1400, subparts F through I.

#### II. SUMMARY OF OPTION AGREEMENT

##### A. XCEL'S SUMMARY

Xcel summarized the Agreement as follows:

- In exchange for an escrow deposit of \$75,000, Xcel Energy granted Elk River Technologies an exclusive option and right to purchase approximately 348 acres of land in Becker, Minnesota for a purchase price of \$22,882 per acre (with precise acreage to be determined once final design is complete and the Company has determined how much land needs to be maintained for electric infrastructure). The purchase price was determined based on an appraisal obtained by the Company from a nationally recognized valuation firm (Patchin Messner Valuation Counselors in Burnsville, Minnesota). . .
- Elk River Technologies' option is good for six months following execution of the Option Agreement, which is January 21, 2023 (Expiration Date). Elk

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<sup>1</sup> Petition at page 1.

River Technologies may also extend the option period for up to three additional six-month periods (expiring on July 21, 2023, January 21, 2024, and July 21, 2024, respectively). If however, the Commission does not approve the Option Agreement prior to December 21, 2022, then the initial Expiration Date will be revised to be 30 days after receipt of Commission approval, and the six-month extended Expiration Dates will be adjusted accordingly.

- If it elects to exercise the option, Elk River Technologies intends to develop the property for data center use and ancillary purposes. Upon closing, the Company may record a use restriction against the property that prohibits the property from being used for residential or retail purposes for a term of eight years.
- If Elk River Technologies exercises the option, the purchase and sale of the land must be closed within 30 days after the date on which the option is exercised.
- Elk River Technologies will also be responsible for the full amount of any special assessments levied against the Property after the date of the Option Agreement, as more fully described in the Option Agreement.
- Aside from the specific representations and warranties made by Xcel Energy in the Option Agreement, Elk River Technologies – if it elects to exercise its option – agrees to take the property “in its ‘AS-IS’ condition.”<sup>2</sup>

### III. ANALYSIS

Xcel crafted a filing that balances the interests of the different stakeholders in the transaction. The Company’s Minnesota ratepayers will receive a portion of the gain on the sale of the property which, according to the Company, could amount to as much as \$5,435,727.<sup>3</sup> The City of Becker and Sherburne County receive the potential benefits of the economic development associated with a second potential data center located in their respective jurisdictions. Elk River Technologies receives an apparently cost-effective site for constructing a new facility.

At the same time, the Company notes, “This is the first land sale at Sherco in several years and is part of a broader effort focused on ensuring a responsible and just energy transition for the Becker community.”<sup>4</sup> Xcel appears to be soliciting comments on the process described for negotiating the sale of surplus land at Sherco.

The Department’s analysis considers the legal, accounting, and financial aspects of the proposed transaction. In addition, the Department will provide a policy recommendation regarding future sales of surplus land associated with the Sherco Generating Station.

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<sup>2</sup> Petition at page 6

<sup>3</sup> Petition at page 2.

<sup>4</sup> Petition at page 2.

A. *LEGAL*

Minn. Stat. § 216B.50 pertains to a public utility's plant acquisition or sale. It states: "No public utility shall sell, acquire, lease or rent any plant as an operating unit or system in this state for a total consideration in excess of \$100,000 . . . without first being authorized to do so by the Commission." The statute directs the Commission to determine whether "the proposed action is consistent with the public interest."

Minn. R. 7825.1600 through 7825.1800 delineate the requirements for a petition requesting the acquisition of property. Minn. R. 7825.1800 (B) and (C) list the requirements for petitions to acquire property:

b. Petitions for approval of a transfer of property shall be accompanied by the following: all information as required in part 7825.1400, items A to J; the agreed upon purchase price and the terms for payment and other considerations.

c. A description of the property involved in the transaction including any franchises, permits, or operative rights, and the original cost of such property, individually or by class, the depreciation and amortization reserves applicable to such property, individually or by class. If the original costs are unknown, an estimate shall be made of such cost. A detailed description of the method and all supporting documents used in such estimate shall be submitted.

Minn. R. 7825.1400, items A to J includes the following requirements:

- A. A descriptive title.
- B. A table of contents.
- C. The exact name of the petitioner and address of its principal business office.
- D. Name, address, and telephone number of the person authorized to receive notices and communications with respect to the petition.
- E. A verified statement by a responsible officer of the petitioner attesting to the accuracy and completeness of the enclosed information.
- F. The purpose for which the securities are to be issued.
- G. Copies of the resolutions by the directors authorizing the petition for the issue or assumption of liability in respect to which the petition is made; and if approval of stockholders has been obtained, copies of the resolution of the stockholders shall be furnished.

- H. A statement as to whether, at the time of filing the petition, the petitioner knows of any person who is an “affiliated interest” within the meaning of Minnesota Statutes, section 216B.48, subdivision 1, who has received or is entitled to receive a fee for services in connections with the negotiations or consummation of the issuance of securities, or for services in securing underwriters, sellers, or purchasers of the securities.
- I. A signed copy of the opinion of counsel in respect to the legality of the issue or the assumption of liability;
- J. A balance sheet dated no earlier than six months prior to the date of the petition together with an income statement and statement of changes in financial position covering the 12 months then ended . . .

Xcel provided information pertinent to Minn. R. 7825.1400 subparts (A) through (E). The Company also requested a variance from Minn. R. 7825.1400 subparts (F) through (I). Xcel noted in the Petition:

Items F through I are relevant to a capital structure filing and required for purposes investigating the issuance of securities. We believe this information has no direct relevance or application to ascertaining whether the land sales as issue in this Petition are consistent with the public interest. We therefore respectfully request a variance of these filing requirements for purposes of this Petition. We believe the requirement to provide this information would impose an excessive burden on the Company and that granting the variance would not conflict with any statutory provisions or adversely affect the public interest.<sup>5</sup>

The Department notes a mismatch between Xcel’s request for a variance and the information required in Minn. R. 7825.1400 subparts (F) through (J). The Company does not appear to be requesting a variance for subpart (J). Minn. R. 7825.1800 subpart B specifically lists items A to J in part 7825.1400 as being required for a property transfer filing. While the Department considers Xcel’s request to be reasonable, we would ask the Company to clarify this discrepancy in reply comments.

The Department will provide its recommendation regarding the Company’s request for a variance after reviewing the Company’s reply comments.

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<sup>5</sup> Petition at page 8.

*B. ACCOUNTING*

Xcel identified the potential net gain from the sale of the surplus property as follows:

**Table 1 – Approximate Net Gain from Sale of 348 Acres**

Line No.	Description	Amount	Notes
1.	Expected Sale Proceeds	\$7,700,000	Land Value derived from professional appraisal dated July 1, 2022
2.	Book Value	\$155,223	Taken from Xcel's property records
3.	Transaction Fees	\$75,000	Estimated
4.	Net Gain	\$7,469,777	Line 1 – Lines 2 and 3
5.	NSP Minnesota/NSP Wisconsin Allocation Factor	0.836787	
6.	NSP Minnesota Allocated Amount	\$6,250,615	Line 4 x Line 5
7.	NSPM Minnesota Allocation Factor	.869631	
8.	Minnesota Jurisdiction Amount	\$5,435,727	Line 6 x Line 7

The Company also provided proposed journal entries related to the transaction in Attachment C of the Petition. The Department reviewed the calculation included in Table 1 and the proposed journal entries and did not identify any issues related to the calculations.

The Department's only concern relates to the property description. The Petition lists the acreage to be sold as 348 acres. An appraisal dated July 1, 2022 (2022 Appraisal), included as Attachment B to the Petition, identifies the gross area of the property as 348.30 acres. An appraisal dated September 3, 2019 (2019 Appraisal) Xcel provided in response to Department Information Request No. 6 identified the gross area as 341.27 acres.<sup>6</sup> Also, Sherburne County's Geographic Information System (GIS) lists the acreage as 472.86 acres in the 2019 appraisal.<sup>7</sup>

The Department requests the Company reconcile the differences between these estimates of the parcel size in its reply comments.

<sup>6</sup> See Attachment A at page 53.

<sup>7</sup> See Attachment A at page 29.

### *C. FINANCIAL/POLICY*

The Department appreciates the Company's willingness to return the net gain on the land sale to its ratepayers. The Department also understands the City of Becker and Sherburne County are confronted with a significant change in their respective property tax bases in the coming years and are acting rationally to try and minimize those effects on their citizens by fomenting economic growth in their respective jurisdictions to the extent possible.

As best the Department can tell, Xcel's cost benefit analysis for the Transaction looks something like the following:

- Ratepayers receive approximately a \$5.4 million credit on their bills due to the gain on the sale of the 348 acres at some point between 2023 and 2026.
- Ratepayers should benefit from the transaction due to the additional margin provided to Xcel by the sales to the new data center customers Elk River Technologies LLC will supposedly bring to the site.
- Xcel will acquire a second potential data center customer at the Sherco site. In addition to the additional revenue this potential customer will provide, this same potential customer will have a very large load and a very high load factor.
- Xcel's new customer will provide the City and County with an enhanced tax base and additional quality jobs.
- The City and County will benefit from enhanced property tax capacity and the economic benefits associated with a large capital investment.

The implied baseline scenario for this implicit cost/benefit analysis appears to be Xcel would retain ownership of the 348-acre property, and none of the transaction's stakeholders would receive any benefits.

The Department's perspective on this implied cost/benefit is that it is incomplete. This approach does not consider ratepayers' opportunity cost in the analysis.<sup>8</sup> A more reasonable and appropriate comparison for Xcel's cost/benefit analysis would be marketing the 348-acre property identified as surplus in the shortest possible timeframe and selling it using a competitive bidding process with the proceeds from the sale being returned to ratepayers.

Put another way, Xcel's efforts to provide a "just and reasonable" transition to the City of Becker and Sherburne County are not cost free to all the stakeholders involved in this effort. The additional time these efforts entail impose costs on the Company's ratepayers. To quantify these costs to ratepayers, the Department developed an opportunity cost analysis which considers three scenarios:

- Scenario A – Elk River Technologies exercises its option to purchase the property on July 1, 2023.
- Scenario B – Elk River Technologies exercises its option to purchase the property on July 1, 2024.

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<sup>8</sup> Opportunity cost is defined as "the foregone benefit that would have been derived from an option not chosen."

- Scenario C – Elk River Technologies does not exercise its option to purchase the Property during the option period. Xcel manages to sell the property in July 2025 for the same price as Elk River Technologies agreed to in this proceeding.

The baseline alternative for each of these scenarios is:

- The Company marketed the 348-acre property via a competitive bid shortly after it received its first appraisal for the property on September 3, 2019, for \$5.1 million.<sup>9</sup>
- Xcel's Minnesota ratepayers received a financial benefit of the transaction on July 1, 2020, equal to \$3,543,717.<sup>10</sup>
- Ratepayers' annual discount rate for this financial calculation is 10%.<sup>11</sup>

Table 2 summarizes the benefit or costs associated with the different scenarios.<sup>12</sup>

**Table 2 – Scenarios A through C Net Benefit or Cost Associated with 348 Acre Land Sale**

Description	Benefit/Cost
Scenario A	\$719,000 benefit
Scenario B	\$247,371 benefit
Scenario C	\$28,535 benefit

This benefit/cost analysis provides results which are markedly different than the \$5.4 million benefit included in the Petition. Considering a ratepayer perspective, the opportunity costs associated with waiting several years to identify a specific type of large customer to *potentially* occupy the site at some point in the future significantly decreases the financial benefits ratepayers receive from the sale.

The Department recognizes the Transaction currently before the Commission has been developed to such an extent it is preferable to allow the proposal to continue and to approve the Company's request.

Regarding the Company's comment about future land sales at Sherco:

As noted earlier, we anticipate similar transactions in the future and want to ensure that utility requirements and processes do not impede Becker's ability to attract and secure new investment. With that in mind, the Company hopes to identify ways to streamline the approval process for such sales in the future while ensuring our regulatory and stakeholders have the opportunity for a thorough review.<sup>13</sup>

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<sup>9</sup> Attachment A contains a copy of this appraisal which was included in Xcel's response to Department Information Request No. 6. The \$5.1 million appraised value is developed in that document.

<sup>10</sup> Attachment B contains this calculation.

<sup>11</sup> See Commission ORDER ACCEPTING DEMAND ENTITLEMENT LEVEL AND DISALLOWING RECOVERY OF CERTAIN COSTS dated July 29, 2021, in Docket No. G008/M-20-565.

<sup>12</sup> Attachment C contains the Department analysis supporting the information in Table 2.

<sup>13</sup> Petition at page 4.



The Department recommends the Commission direct the Company to develop a process whereby a significant majority of the future land parcels Xcel identifies would be sold via a competitive bid and the net gain from those sales returned to ratepayers as quickly as possible.<sup>14</sup> This competitive bidding process could be standardized to lessen regulatory oversight. As for the City of Becker's and Sherburne County's involvement in the process, those two entities could manage the land use options associated with the parcels sold using competitive bidding via zoning requirements as is current practice.

This approach would allow Xcel the flexibility to incorporate the City of Becker's and Sherburne County's direct inputs to develop specific some number of the parcels while balancing the financial needs of Xcel ratepayers for financial relief.<sup>15</sup>

#### **IV. RECOMMENDATIONS**

The Department recommends the Commission:

- Approve the instant transaction according to the terms and conditions stated in the Option Agreement.
- Approve the proposed accounting treatment of the sales revenue from the instant transaction so the gain can be passed on to customers as a one-time bill credit only for this transaction.
- Require Xcel to develop and employ a process whereby a significant majority of the future land parcels Xcel identifies as surplus at the Sherco Generating Station would be sold via a competitive bid and the net gain from those sales returned to the ratepayers as quickly as possible.

The Department will provide its recommendation regarding Xcel's variance request after reviewing Xcel's reply comments.

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<sup>14</sup> The Department would define a significant majority as two-thirds to three-quarters of the number of parcels the Company identifies as surplus.

<sup>15</sup> The Department notes Xcel's ratepayers have paid for the following through their rates 1) the investment to support the Sherco generation facilities; 2) the salaries and wages of the Xcel employees that work at those facilities, and 3) the property taxes Xcel paid to the City of Becker and Sherburne County for services provided by the City and County to Xcel's Sherco generation facilities.

- ☐ Not Public Document – Not For Public Disclosure  
☐ Public Document – Not Public Data Has Been Excised  
☒ Public Document

Xcel Energy  
Docket No.: E002/PA-22-489  
Response To: Minnesota Department of Commerce  
Requestor: Holly Soderbeck & John Kundert  
Date Received: September 27, 2022

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Information Request No. 6

Question:

Topic: Property Appraisal  
Reference(s): Attachment B – page 3

Request:

Please provide a copy of the previous appraisal report dated September 19, 2019, with a valuation date of September 3, 2019.

Response:

Previous appraisal has been provided as Attachment A.

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Preparer: Peter Gitzen  
Title: Manager  
Department: Siting & Land Rights  
Telephone: 612-330-7732  
Date: October 7, 2022

MARKET VALUE APPRAISAL  
NORTHERN STATES POWER COMPANY PROPERTY  
348 ACRES SOUTH OF C.S.A.H. 8/RIVER ROAD SOUTHEAST  
13500 UNIVERSITY AVENUE SOUTHEAST  
BECKER, MINNESOTA

DATE OF REPORT:  
September 12, 2019

PREPARED FOR:  
Xcel Energy  
414 Nicollet Mall, MP-7B  
Minneapolis, MN 55401

PREPARED BY:  
Patchin Messner Valuation Counselors  
Sunset Ponds Office Park  
13961 West Preserve Boulevard  
Burnsville, MN 55337

Northern States Power Company



# PATCHIN MESSNER

## VALUATION COUNSELORS

September 12, 2019

Xcel Energy, Inc.  
414 Nicollet Mall, MP-7B  
Minneapolis, MN 55401

ATTN: Chris Berglund  
Senior Land Rights Agent

RE: Market Value Appraisal  
Northern States Power Company Property  
13500 University Avenue Southeast  
Becker, Minnesota

Dear Mr. Berglund:

At your request, we have appraised the above-referenced property for the purpose of estimating its fee simple market value. The function of this appraisal is to provide valuation guidance to Xcel Energy in evaluating the possible sale of the subject property.

This appraisal is intended to comply with the Uniform Standards of Professional Appraisal Practice (USPAP) of the Appraisal Foundation. This report presents summary discussions of the data and analyses used in the appraisal process. Additional information and documentation concerning the data and analyses of this appraisal have been retained in our files.

The subject property consists of a 348.30-acre tract of land, located at 13500 University Avenue Southeast, in the City of Becker, Minnesota. As referenced on the survey provided, the subject is a portion of Sherburne County tax parcel 60-336-2100. The subject is improved with a single-family home and ancillary agricultural outbuildings.

Based upon inspection of the property on September 3, 2019, and after consideration of the factors influencing market value, it is the appraisers' opinion that market value of the subject property, as of September 3, 2019, is \$5,100,000.

FIVE MILLION ONE HUNDRED THOUSAND DOLLARS

Note – The above value conclusion assumes that the buyer of the subject is responsible for special assessments, if any, assigned to the property for public improvement projects that may be pending or proposed at the time of sale.

It should also be noted that this letter does not qualify as an appraisal, and the reader is directed to the following report for the data, analyses and conclusions, which support this value estimate. The appraisal report is contingent upon the assumptions and limiting conditions submitted within the report. The "Contingent and Limiting Conditions" section of this report should be thoroughly read and understood before relying on any information or analysis presented herein.

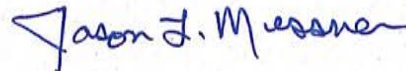
Thank you for allowing our firm to be of assistance in this matter. If you have any questions after reading this report, feel free to contact us at your convenience.

Respectfully submitted,

PATCHIN MESSNER VALUATION COUNSELORS



Randy J. Deones  
Certified General Real Property Appraiser  
Minnesota License 40264161



Jason L. Messner, MAI  
Certified General Real Property Appraiser  
Minnesota License 4000836



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**CERTIFICATION**  
(Real Estate)

I certify that, to the best of my knowledge and belief:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest or bias with respect to the parties involved.
4. I have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
5. My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
6. My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice of the Appraisal Foundation.
7. I have made a personal inspection of the property that is the subject of this report.
8. The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute.
9. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
10. No one provided significant real property appraisal assistance to the persons signing this certification or report.
11. My engagement in this assignment was not contingent upon developing or reporting predetermined results.
12. This appraisal cannot be completely understood without reading the Contingent and Limiting Conditions section of this report, which should be thoroughly read and understood before relying on any information or analysis presented herein.
13. As of the date of this report, Randy J. Deones has completed the Standards and Ethics Education Requirement for Practicing Affiliates of the Appraisal Institute.

Randy J. Deones  
Randy J. Deones

9-12-19  
Date

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**CERTIFICATION**  
(Real Estate)

I certify that, to the best of my knowledge and belief:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest or bias with respect to the parties involved.
4. I have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
5. My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
6. My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice of the Appraisal Foundation.
7. I have made a personal inspection of the property that is the subject of this report.
8. The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute.
9. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
10. No one provided significant real property appraisal assistance to the persons signing this certification or report.
11. My engagement in this assignment was not contingent upon developing or reporting predetermined results.
12. This appraisal cannot be completely understood without reading the Contingent and Limiting Conditions section of this report, which should be thoroughly read and understood before relying on any information or analysis presented herein.
13. As of the date of this report, Jason L. Messner has completed the continuing education program requirements for Designated Members of the Appraisal Institute.

  
\_\_\_\_\_  
Jason L. Messner, MAI

  
\_\_\_\_\_  
Date

Northern States Power Company  
21941

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### SUMMARY OF SALIENT FACTS AND CONCLUSIONS

Fee Owner:	Northern States Power Company
Location:	13500 University Avenue Southeast Becker, Minnesota
Date of Valuation:	September 3, 2019
Date of Inspection:	September 3, 2019
Property Appraised:	Real Property
Rights & Interests Appraised:	Fee Simple Market Value
Zoning:	I-GEN, General Industrial District I-PG, Power Generation
Guiding:	Heavy Industrial
Site Description:	The subject is a generally rectangular, 348.30-acre tract of land. The site has a mixture of open tillable acreage, with rows of forestry plantings. The subject is improved with a single-family home and ancillary agricultural structures.
Highest and Best Use	
As Vacant:	Industrial development
As Improved:	Industrial development after razing improvements
Site Area:	
Gross Area:	348.30 Acres
Less: Road Right-of-way	<u>7.03 Acres</u>
Area Net of Right-of-way	341.27 Acres
(Note: Areas of the subject are based on a survey provided by the Client.)	
Value Conclusion:	\$5,100,000



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**PHOTOGRAPHS OF SUBJECT**



Looking North Along East Boundary from University Avenue



Looking West Along University Avenue from East Boundary

**PHOTOGRAPHS OF SUBJECT**



Looking South at Southeast Portion of Subject



Looking North at North Central Portion of Subject



**PHOTOGRAPHS OF SUBJECT**



Looking South at Subject Residence



Looking Southwest at Ancillary Structures



**PHOTOGRAPHS OF SUBJECT**



Looking North Along West Boundary from University Avenue

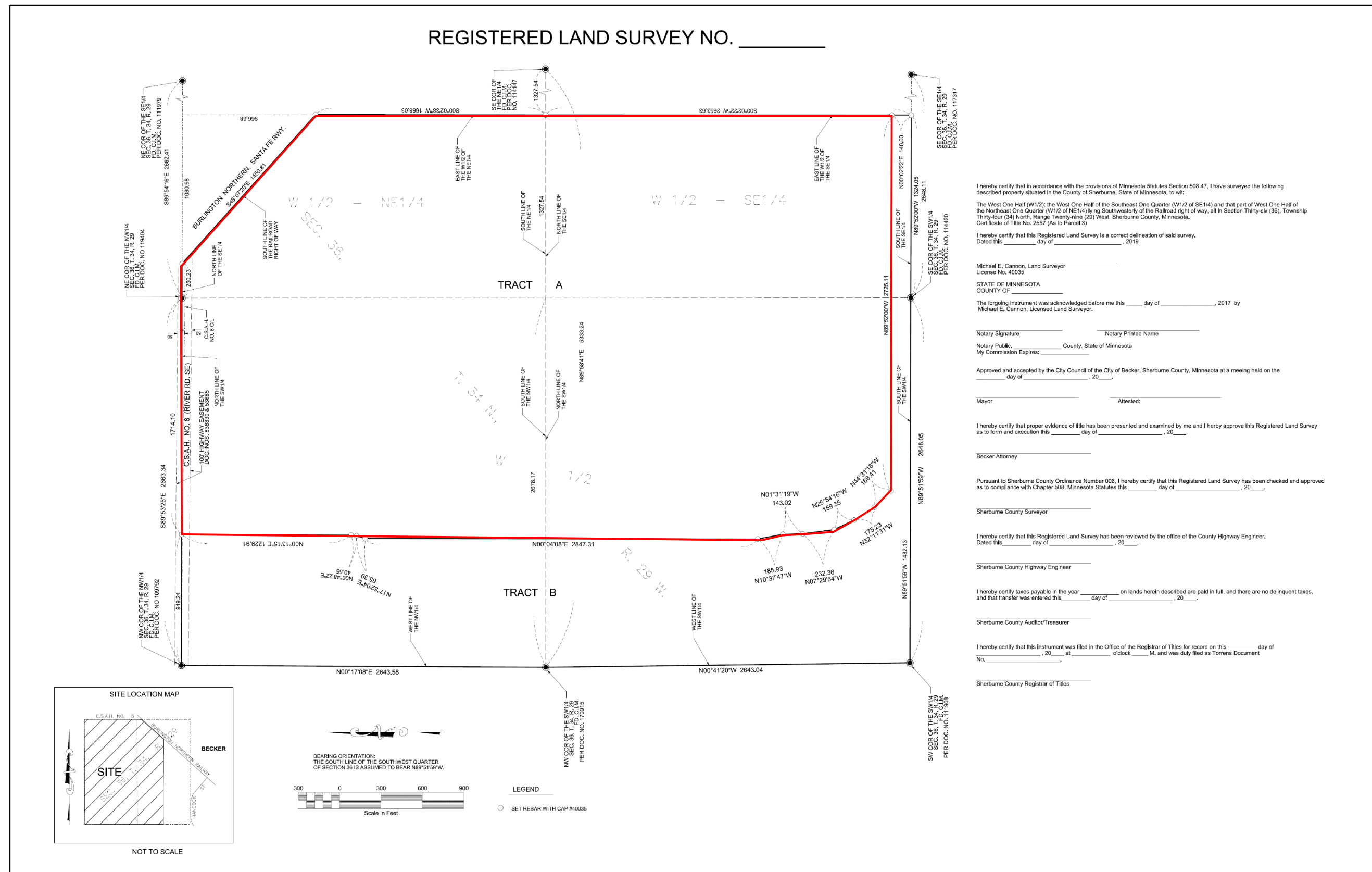


Looking South Along West Boundary from University Avenue



Aerial View of Subject – Sherburne County GIS

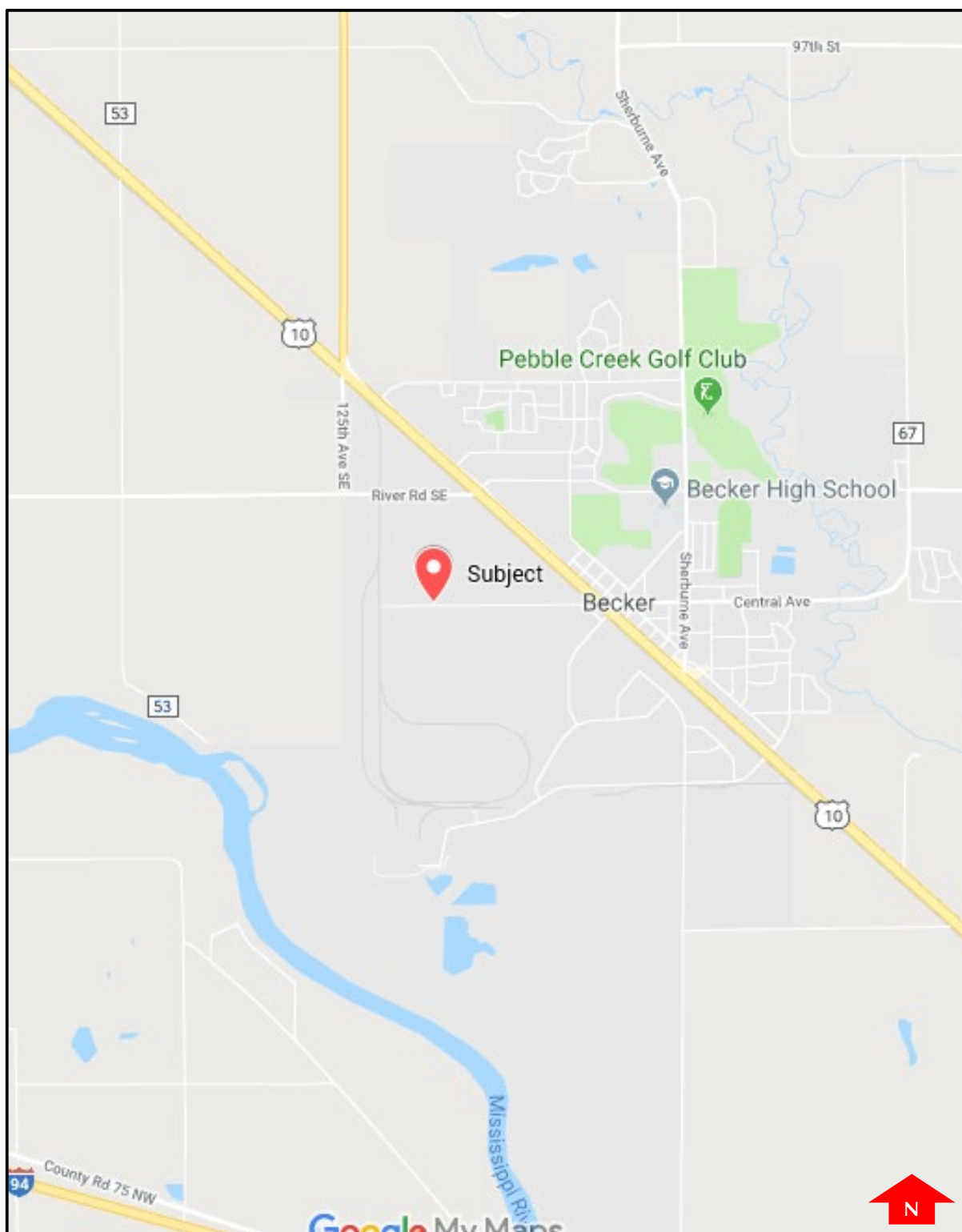






Northern States Power Company  
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**SUBJECT LOCATION MAP**

### **PROPERTY APPRAISED**

The subject property consists of a 348.30-acre tract of land, located at 13500 University Avenue Southeast, in the City of Becker, Minnesota. As referenced on the survey provided, the subject is a portion of Sherburne County tax parcel 60-336-2100. The subject is improved with a single-family home and ancillary agricultural outbuildings.

### **DATE OF APPRAISAL**

The effective date of this appraisal is September 3, 2019.

### **INSPECTION OF THE PROPERTY**

The appraisers viewed the property from River Road Southeast and University Avenue Southeast on September 3, 2019. Due to highest and best use research and conclusions, only exterior observations were made of the building improvements.

### **PROPERTY OWNERSHIP**

The Sherburne County Assessor's office reported that the subject is owned by Northern States Power Company.

### **SALES HISTORY**

The Uniform Standards of Professional Appraisal Practice (USPAP) requires that all sales of the subject during the previous three years be reported and analyzed. Sherburne County records show there have been no sales of the subject property for the three year period prior to the valuation date.

## **INTENDED USE**

The intended use of this analysis is to provide valuation guidance in the possible sale of the subject property.

## **CLIENT AND INTENDED USER**

The client and intended user of this appraisal is Xcel Energy, Inc.

## **PURPOSE OF THE APPRAISAL**

The purpose of this appraisal is to estimate the market value of the fee simple interest of the property.

## **PROPERTY RIGHTS APPRAISED**

The subject property will be appraised by estimating the market value of the fee simple interest of the real estate, subject to existing easements. For use in this appraisal, the fee simple interest in the real estate is subject to the following definition obtained on Page 90 of *The Dictionary of Real Estate Appraisal*, Sixth Edition, Appraisal Institute.

*Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.*

## **COMPETENCY OF APPRAISERS**

Jason L. Messner, MAI, and Randy J. Deones have the knowledge and experience to complete this appraisal assignment competently and in compliance with USPAP. Refer to the Appraisers' Qualifications in the Addenda of this report for further details.

## **MARKET VALUE DEFINED**

Market value as utilized in this appraisal report conforms to the following definition obtained from Page 142 of *The Dictionary of Real Estate Appraisal*, Sixth Edition.

*The most probable price that a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:*

- *Buyer and seller are typically motivated;*
- *Both parties are well informed or well advised, and acting in what they consider their best interests;*
- *A reasonable time is allowed for exposure in the open market;*
- *Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and*
- *The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.*

Unless otherwise noted in the appraisal report, market value shall represent cash equivalent terms where the seller receives all cash for their interest. The property may be financed at typical market terms under this definition.

The above definition describes market value as an exchange concept. According to *The Dictionary of Real Estate Appraisal*, Sixth Edition, at Page 245, value in exchange is defined as “a type of value that reflects the amount that can be obtained for an asset if exchanged between parties.”

## **SCOPE OF WORK**

This document is intended to provide a market value appraisal of the subject in compliance with the Uniform Standards of Professional Appraisal Practice (USPAP). The data and analyses contained in this report and the appraisers' files provide the basis for the value conclusions.

## **SCOPE OF WORK**

### Summary of Appraisal Methodology

The function of this report is to provide valuation guidance for the possible sale of the subject property. In this analysis, we have examined the following data and concepts pertaining to the property.

1. Physical Characteristics of Real Property, including:

Inspection of the Subject on September 3, 2019 - The inspection was conducted in order to gather information about the physical characteristics of the subject that are relevant to the valuation problem.

Review of available Surveys, Half-Section and Plat Maps

Review of available Aerial Views

Observation of the Local Market and the Subject's Place within this Market

2. Non-Physical Characteristics of Real Property, including:

Property Rights- We have examined property rights of the subject property.

Legal Description – The legal description of the subject was provided by the client.

Existing Road, Drainage and Utility Easements, if any

Tax and Assessment Data

Zoning Data - We have examined the City of Becker zoning data.

Land Use Data – We have examined the City of Becker Comprehensive Plan.

3. Observations and Data Concerning the Subject's Market and Transactions within this Market:

Sales of Land – In order to gather the comparable sales, we searched our internal files, as well as transaction data on eCRV, Northstar Multiple Listing Service and RediComps.

After selecting the sales, a comparative analysis of relevant factors that influence value was undertaken to adjust the sales to the subject property based upon the actions and preferences demonstrated by the participants in the marketplace.

Supply and Demand Generators of the Market

## **SCOPE OF WORK**

### **Summary of Appraisal Methodology**

3. Observations and Data (continued):
  - Financing available within the Market
  - Perception of the Market as to the Future

From the above data and concepts, we have made the following analyses:

Highest and Best Use analysis of the Subject Property

Application of Appropriate Approaches to Value for the Property - See the following Appraisal Procedures and Techniques section of this report for an explanation of the approaches to value.

The sales comparison approach is completed, and is necessary for credible results, given the property characteristics and type of value sought. The cost and income approaches are not considered applicable to arrive at credible results, and are not completed in this analysis.

Correlation of value indications to form a Final Estimate of Value

## **EXTRAORDINARY ASSUMPTION**

The value conclusion stated herein is an "as-is" value and assumes that the buyer of the subject is responsible for special assessments, if any, assigned to the property for public improvement projects that may be pending or proposed at the time of sale.

## **ENVIRONMENTAL CONSIDERATIONS**

Based upon inspection of the property, it is assumed that no environmental concerns such as PCBs, toxic and hazardous soil or ground water contamination exist upon the subject as of the date of this appraisal report. However, the reader is advised that the appraisers are not qualified to perform inspections concerning the existence or absence of environmental concerns. If any environmental contaminants do exist within the subject property, the assignment results would likely be different.

## **AREA AND NEIGHBORHOOD DATA**

The subject property is located in southwestern Sherburne County in the city of Becker, Minnesota. Becker is a rural community located along Highway 10, approximately 30 miles northwest of the Minneapolis/St. Paul Metropolitan Area and approximately 20 miles southeast of St. Cloud. The subject is located south of Highway 10, in the west-central portion of the City of Becker. Demographic data for the City of Becker is included as Exhibit 1 in the Addenda.

Commonly referred to as the “Twin Cities,” the Minneapolis/St. Paul metropolitan area is the sixteenth largest metropolitan area in the United States, as well as the primary business center between Chicago and Seattle. The Seven County Metropolitan Area (SCMA), includes Anoka, Carver, Dakota, Hennepin, Ramsey, Scott and Washington Counties. According to Metropolitan Council’s 2017 estimates, the seven-county metro area had a total population of 3,075,563.

St. Cloud is located in central Minnesota. The city itself includes portions of three counties; those being Stearns, Sherburne and Benton Counties. In addition, the city of St. Cloud constitutes the core of the St. Cloud metropolitan area. Briefly, the St. Cloud metropolitan area includes St. Cloud and the abutting cities of Waite Park, Sauk Rapids and Sartell. According to the U.S. Census Bureau, these four cities had a combined population in 2010 of just over 101,200 persons. Including the adjacent urban townships and other nearby communities, the St. Cloud metro area’s 2010 population was approximately 120,000 persons.

The subject neighborhood is described as that portion of Becker located south of Highway 10. Development in this area is largely industrial, and is driven by the transportation linkage of U.S. Highway 10 with the St. Cloud and Twin Cities metropolitan areas.

The Becker Furniture World showroom along Highway 10 has a distribution warehouse located southeast of the subject. Also southeast of the subject is KMI Machine, Paradigm Engineering, and the Liberty Paper Incorporated paper mill. The Sherburne County Generating Station, also known as Sherco, is a massive coal-fired power plant, immediately south of the subject.

## **AREA AND NEIGHBORHOOD DATA**

U. S. Highway 10 connects Becker to both St. Cloud and the Twin Cities. Interstate 94, approximately three miles southwest of Becker, is another regional transportation corridor that connects St. Cloud to the Twin Cities. However, due to the Mississippi River corridor south of Becker, connections to Interstate 94 are made at either Clearwater going northbound, or Monticello headed southbound.

The west boundary of the subject coincides with the BNSF railroad spur serving the Sherco site. The subject also has frontage on C.S.A.H. 8/River Road and the Burlington Northern Santa Fe Railroad along the north boundary. University Avenue Southeast bears east/west traversing the central portion of the subject. University Avenue is a dirt and gravel-surfaced roadway, which extends east to its intersection with Hancock Street and an un-signalized intersection at Highway 10. Traveling west, University Avenue dead-ends at the west boundary of the subject.

The area north and west of Industry Avenue and Industrial Boulevard Southeast is not currently served with municipal water and sanitary sewer. Rather, municipal utilities are located approximately one-half mile to the east of the subject, at Industry Avenue.

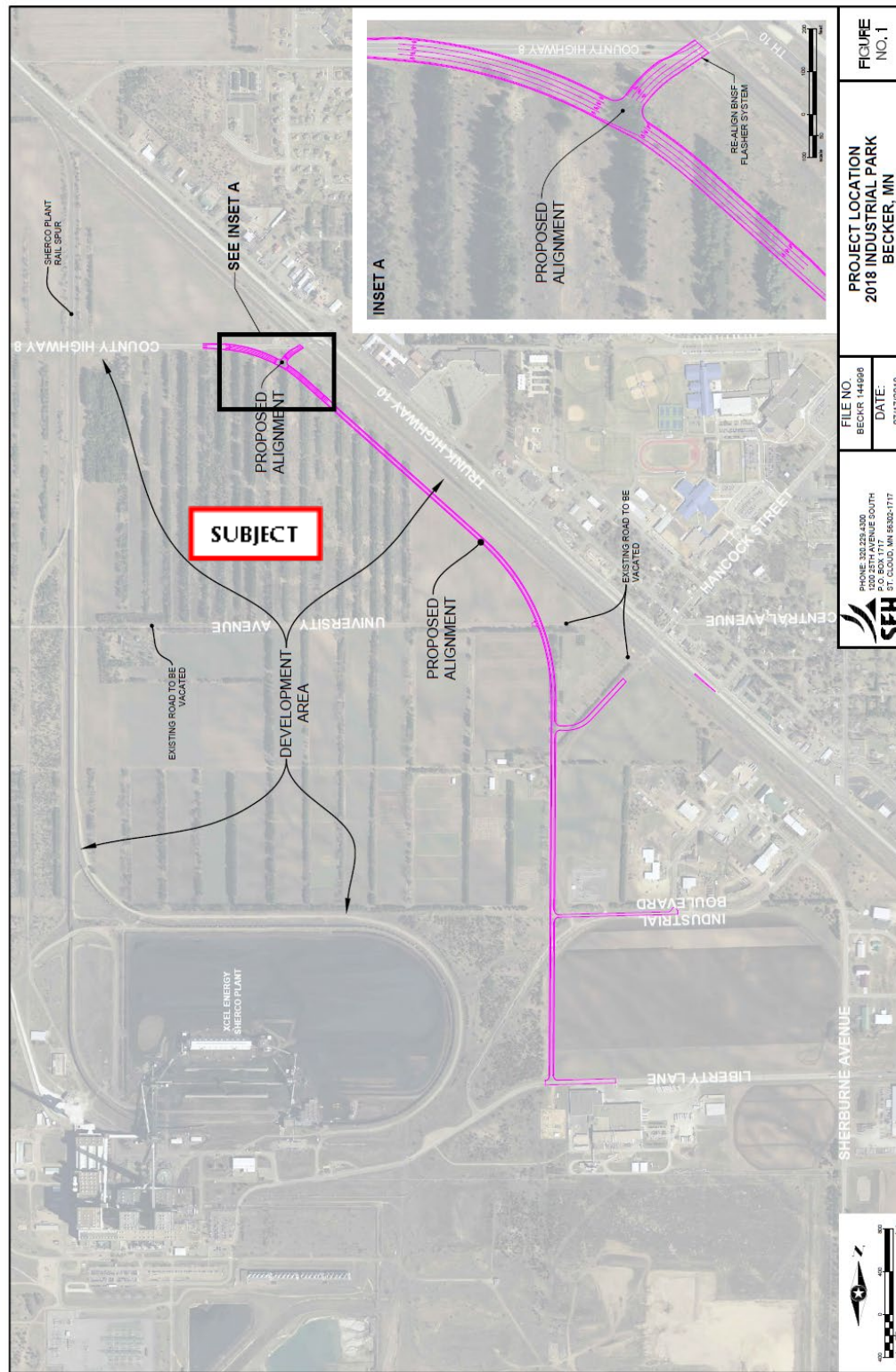
However, the City of Becker has plans to construct additional infrastructure in the neighborhood to facilitate development of the subject and adjoining lands. Proposed Infrastructure Maps located on the following pages depict the new road and utility alignments in relation to the subject. The City is currently seeking bids for the project, with plans to start construction in 2020. The project is to include a new frontage road, sanitary sewer, water main, and storm water system.

Southeast of the subject, the city of Becker has developed the Energy Park Fifth Addition where there are nine lots available for industrial development, ranging from five to ten acres with list prices ranging from \$1.65 per SF to \$1.90 per SF. However, there have been no sales in the City's industrial park in the past two years. Similar city industrial park projects are noted in Big Lake, Dayton-Rogers, Monticello, Elk River, and St. Cloud.

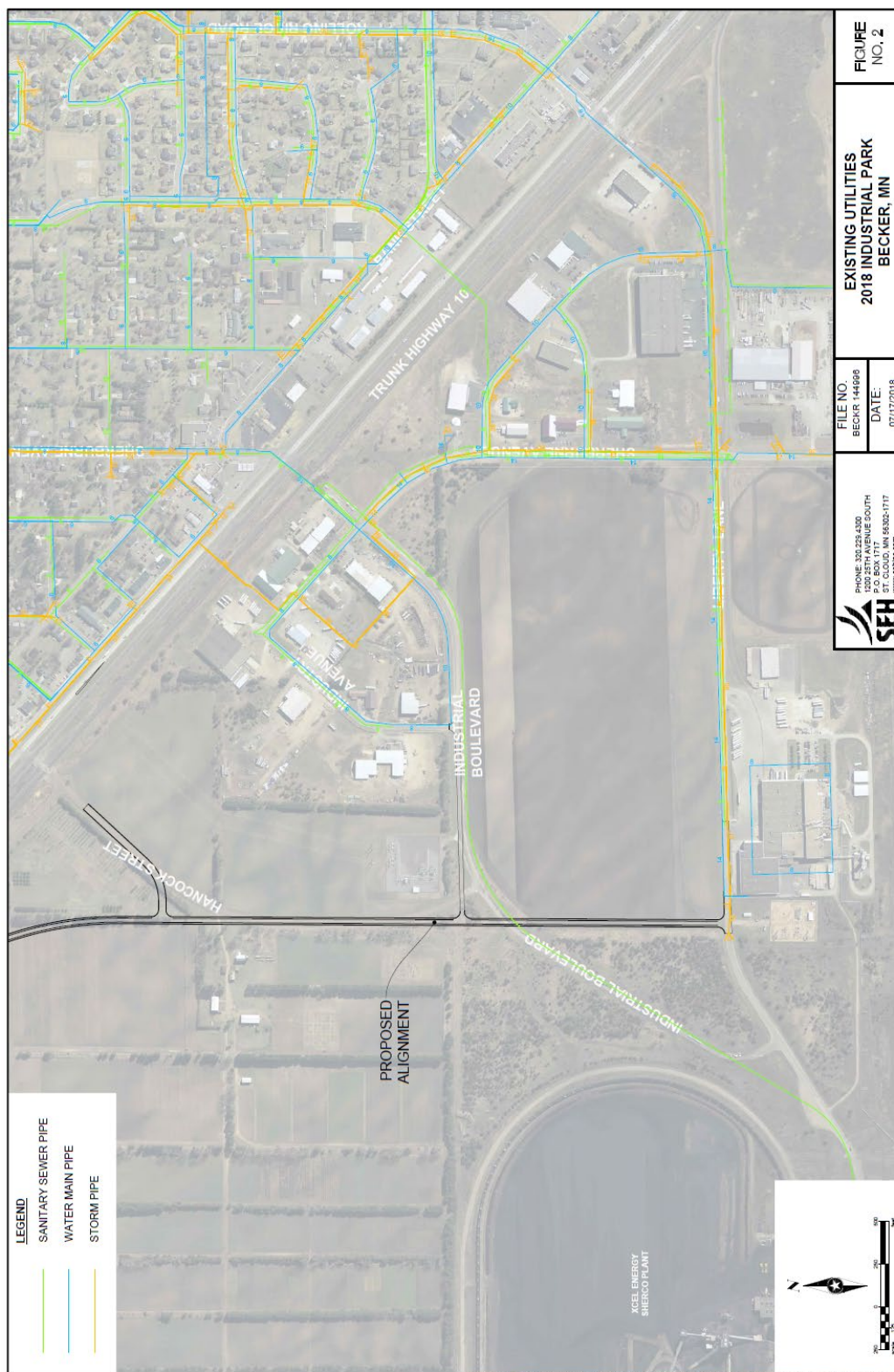
While there is an abundance of developed lots available for industrial development in the region, proximity to Highway 10 and Interstate 94 should continue to drive development in the subject neighborhood.



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**PROPOSED INFRASTRUCTURE MAP**

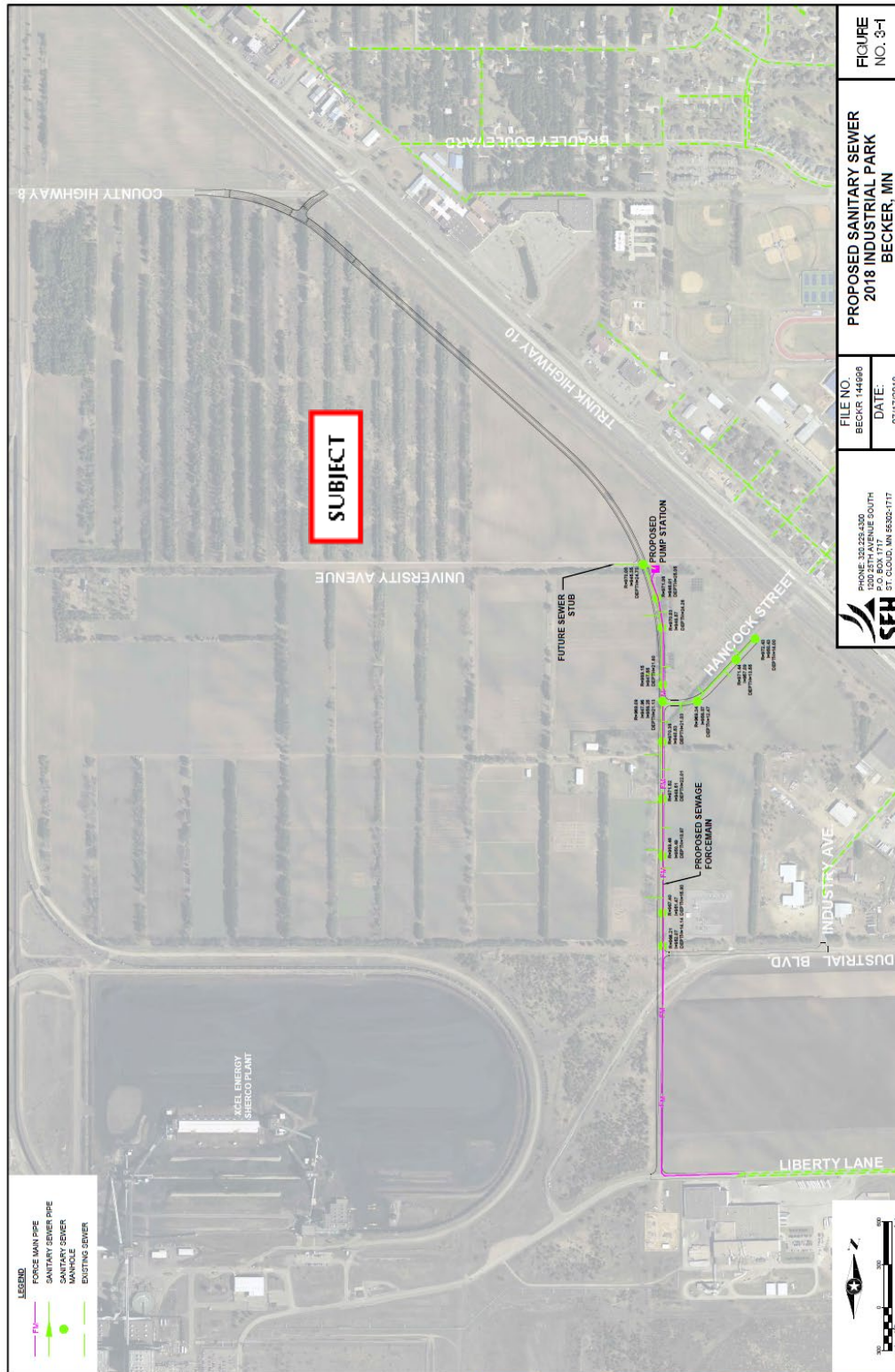


**PROPOSED INFRASTRUCTURE MAP**



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**PROPOSED INFRASTRUCTURE MAP**

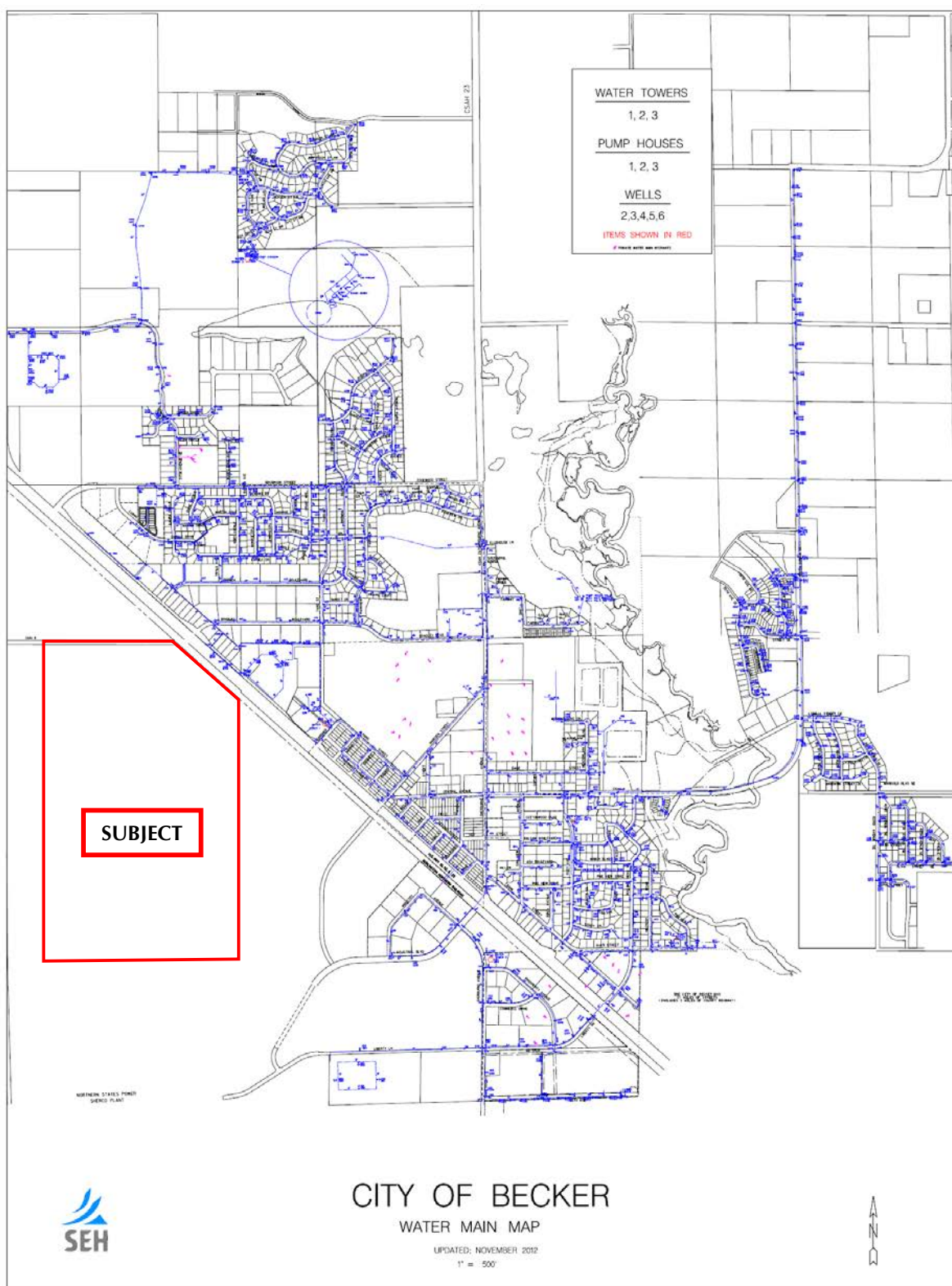
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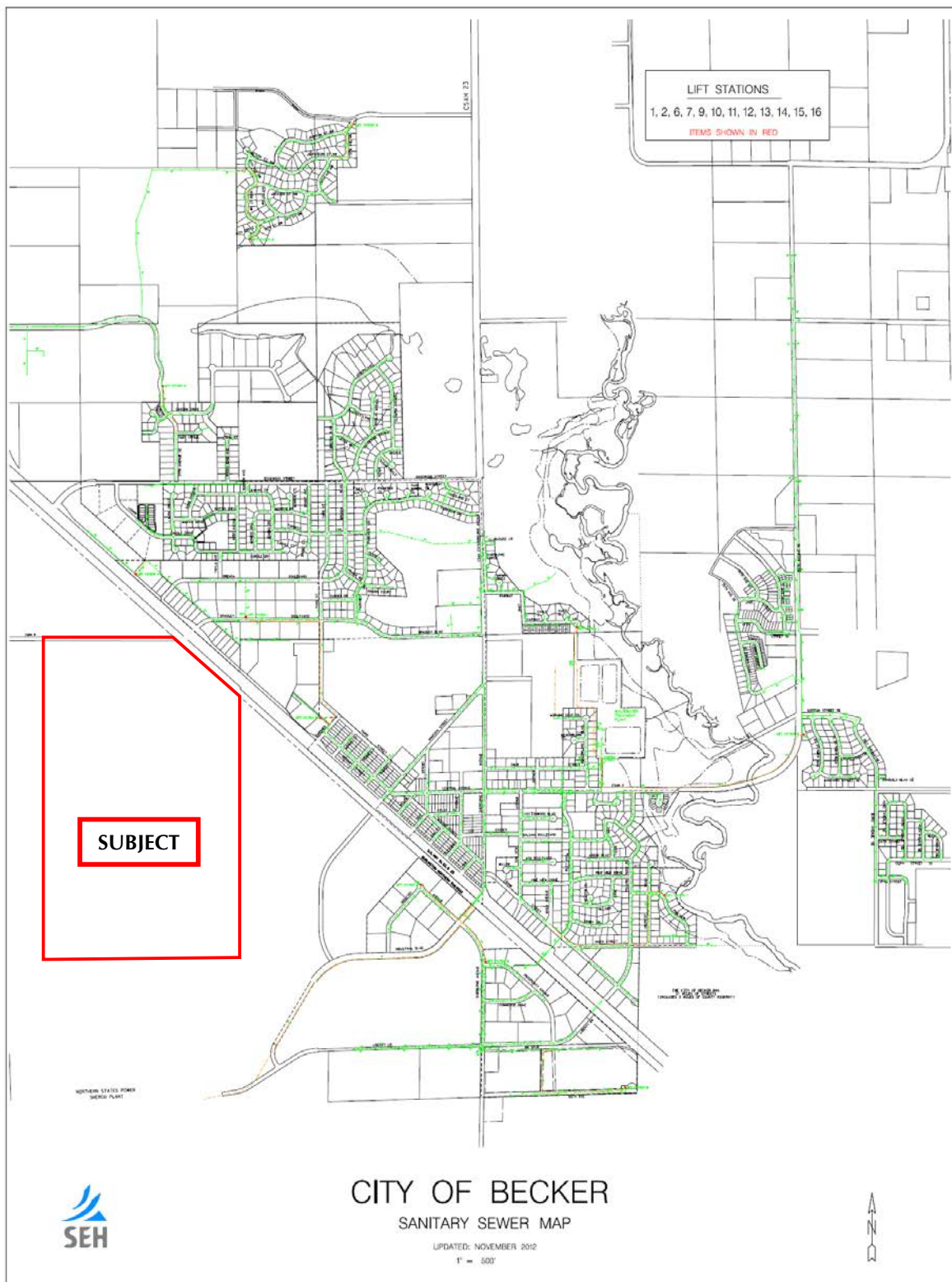


**PROPOSED INFRASTRUCTURE MAP**





**AREA AND NEIGHBORHOOD DATA**



**AREA AND NEIGHBORHOOD DATA**

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## LOCATION AND LEGAL DESCRIPTION

Location: 13500 University Avenue Southeast  
Becker, Minnesota

Legal Description: The subject metes and bounds legal description is included as Exhibit 2 in the Addenda.

(Note: The legal description was provided by the Client.)

## TAX AND ASSESSMENT DATA

Property Identification Number	60-336-2100
2019 Assessor's Market Value	
Land	\$3,117,500
Improvements	\$0
Total Market Value	\$3,117,500
2018 Assessor's Market Value	
Land	\$2,871,700
Improvements	\$0
Total Market Value	\$2,871,700
Real Estate Taxes Payable 2019	
General Taxes	\$95,702.00
Special Assessments	\$0.00
Total	\$95,702.00
Effective Tax Rate	3.33%
<u>Analysis of 2019 Assessor's Market Value</u>	
Land Area (GIS Acres)	472.86
Assessed Land Value Per Acre	\$6,593

\* It is noted that the land is assessed by the State of Minnesota and the buildings are taxed separately as personal property by Sherburne County. Furthermore, the tax parcel noted above includes approximately 125 acres west of the BNSF Railroad spur that is not included as part of the subject.

## ZONING

Zoning is administered by the City of Becker. As depicted on the following City of Becker Zoning Map, the south half of the subject is zoned I-GEN, General Industrial District, and the north half of the tract is zoned I-PG, Power Generation. Guiding is generally consistent with zoning. Based on the following Comprehensive Plan Land Use Map the subject is guided Heavy Industrial.

The intent of the I-GEN, General Industrial District is to

*“reserve appropriately located areas for industrial and related activities;*

*protect areas appropriate for industrial uses from intrusion by inharmonious uses;*

*protect residential and commercial properties and to protect nuisance-free, nonhazardous industrial uses from noise, odor, insect nuisance, dust, dirt, smoke, vibration, heat and cold, glare, truck, and rail traffic, and other objectionable influences, and from fire, explosion, noxious fumes, radiation, and other hazards incidental to certain industrial uses;*

*provide opportunities for certain types of industrial plants to concentrate in mutually beneficial relationships to each other;*

*provide adequate space to meet the needs of modern industrial development, including off-street parking and truck loading areas and landscaping. To provide sufficient open space around industrial structures to protect them from the hazard of fire and to minimize the impact of industrial plants and nearby uses;*

*minimize traffic congestion and to avoid the overloading of utilities by preventing the construction of buildings of excessive size in relation to the amount of land around them;*

*provide locations where industries that desire larger sites and outside storage can operate with minimum restriction and without adverse effects on other uses.”*

The intent of the I-PG, Power Generation District is similar. However, the ordinance for the Power Generation District includes locations for plants and transmission corridors for development and support of the power generation industry within the City, so that the industry can operate with minimum restrictions and conflicts.

Permitted uses in the I-GEN, General Industrial District, include any use permitted in the I-PRK, Industrial Park District, or I-PG, Power Generation District.



## **ZONING**

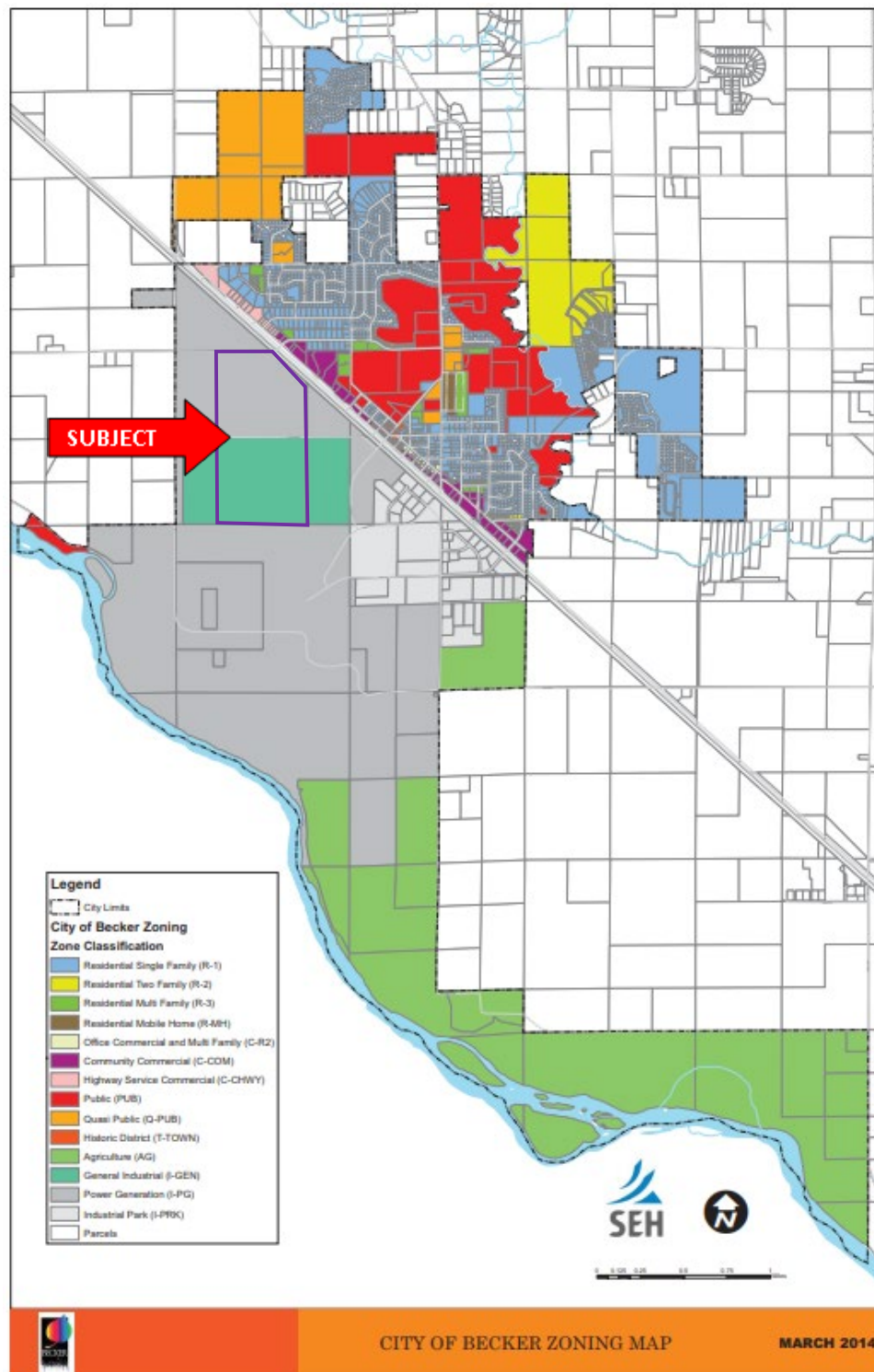
The following is a partial list of the permitted uses in the I-PRK and I-PG Districts.

- Bottling
- Building material sales and storage
- Dry cleaning and dyeing
- Automobile manufacturing
- Technology innovative industries
- Manufacturing/industrial operations
- Public utility structures
- Electric light or power generating stations
- Warehouses
- Assembly, manufacturing, packaging and wholesaling businesses
- Mini-storage facilities

The following are conditional uses in the I-GEN, General Industrial District, which require a permit. Here again, this is a partial list only.

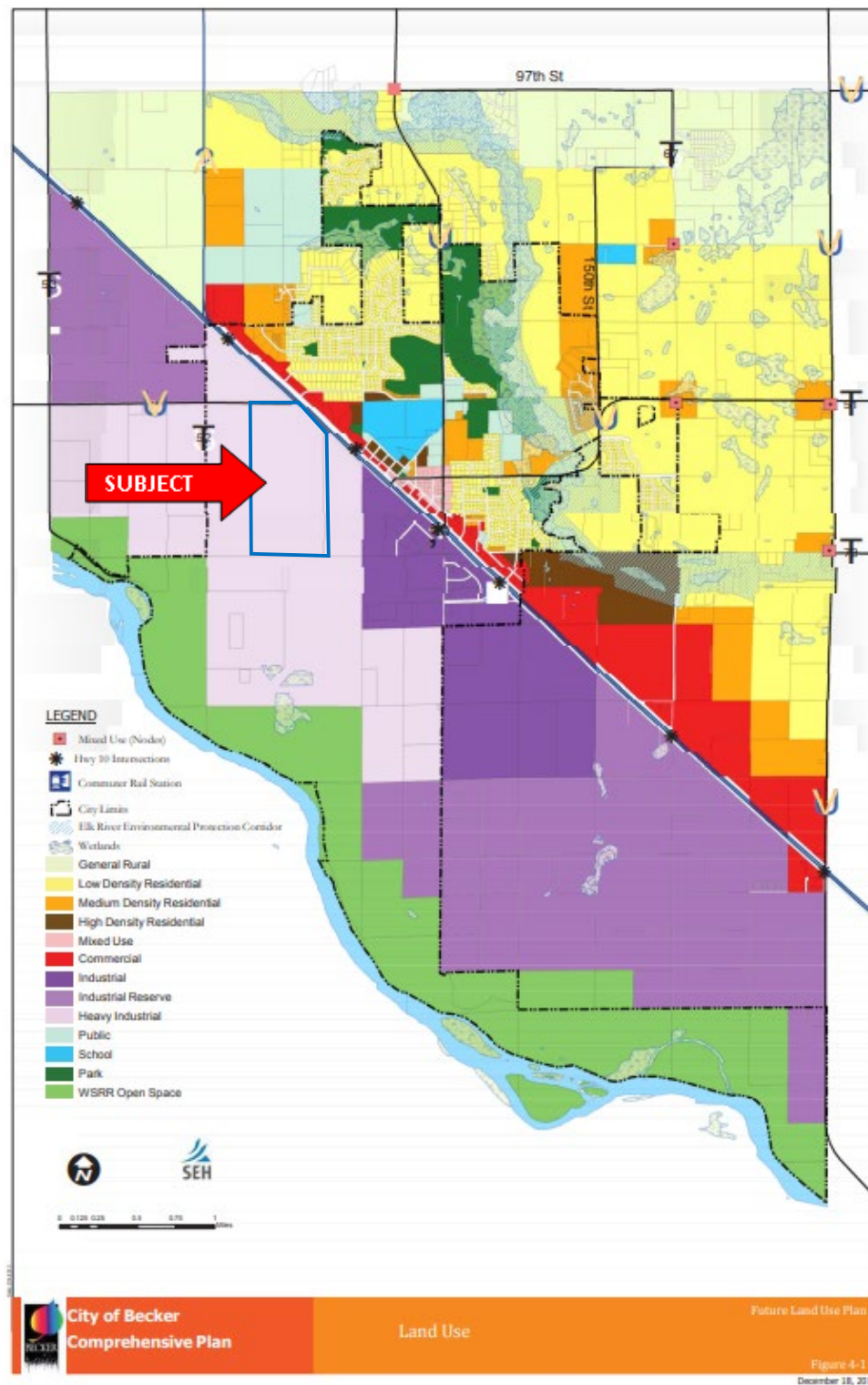
- Wireless Telecommunications Facilities
- Grain elevators and storage
- Large L.P. tanks
- Distillation operations

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## ZONING MAP

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## ZONING

Lot requirements within the respective districts are as follows:

	<u>I-GEN District</u>	<u>I-PG District</u>
Minimum Lot Area	5 Acres	35 Acres
Minimum Lot Width	300 Feet	1,200 Feet
Minimum Lot Depth	300 Feet	1,200 Feet
Maximum Height	50 Feet	199 Feet
Minimum Yard Setbacks		
Front Yard	75 Feet	75 Feet
Side Yard	50 Feet	50 Feet
Rear Yard	50 Feet	50 Feet
Maximum Lot Coverage	75%	75%

The subject is also guided Heavy Industrial per the City of Becker 2030 Comprehensive Plan. The following is a description of the Heavy Industrial Land Use Category:

*Involves the processing of raw materials such coal, lumber, etc. or the fabrication and assemblage of parts that are bulky and heavy.*

*Also included in this category are surface structures associated with manufacturing operations: loading devices, trucks, access roads, processing facilities, stock piles, and storage sheds.*

*Areas considered appropriate for power generation activities associated with Xcel Energy's Sherco coal plant.*

In summary, the subject is a large vacant tract of land that may be developed under the zoning standards stated above.

## LAND DESCRIPTION

The market value of the subject land is based on the following description.

Site:	Gross Area:	348.30 Acres
	Less: Road Right-of-way	<u>7.03 Acres</u>
	Area Net of Right-of-way	341.27 Acres

Note: As previously stated, the site area is based on the survey provided by the Client.

## **LAND DESCRIPTION**

Shape:	Effectively Rectangular
Street Frontage/Access:	<p>The subject has approximately 2,100 feet of frontage along C.S.A.H. 8/River Road Southeast on the north boundary. Also, University Avenue is a dirt road that traverses the central portion of the subject bearing east/west. Vehicle access is available from C.S.A.H. 8 and University Avenue. It is also noted that the subject has some degree of visibility from U.S. Highway 10, over and across the BNSF Railroad right-of-way.</p> <p>However, as described previously, the City of Becker is planning to construct a new frontage road from Hancock Street north to C.S.A.H. 8. This new frontage road will cross the northeast portion of the subject and provide a roadway capable of industrial transportation from the subject to the Hancock Street/U.S. Highway 10 intersection. This roadway will improve access to northbound U.S. Highway 10.</p>
Rail Frontage:	The subject has railway frontage along the north, west and south boundaries. Burlington Northern Santa Fe Railroad serves the area.
River Frontage:	None
Terrain:	The site is a mixture of open tillable acreage and forestry plantings. The topography is generally level.
Flood Hazard:	The subject is located in Zone X, an area outside of the 500-year floodplain.
	Community Panel Number: 27141C0220F Effective Date: November 16, 2011
Utilities:	Municipal water and sanitary sewer services necessary to serve the subject are located approximately 2,500 feet to the east, at Industry Avenue. However, as discussed previously, the City of Becker has a project planned to extend municipal utilities closer to the subject, as shown on the Proposed Infrastructure Maps. The City is currently taking bids for the project, with is scheduled to begin in 2020.

## **LAND DESCRIPTION**

Soil Conditions: The soils appear stable and suitable for typical construction practices. However, neither soils tests nor engineering data have been provided to us in conjunction with this appraisal.

Easements/  
Encumbrances: While high-voltage transmission lines are located along the west boundary, the extent of any potential associated easement is unknown. Also, the northeast portion of the site is encumbered by a high-voltage transmission line, adjacent to the BNSF Railroad.

The appraisers are not aware of any other apparent easements, encroachments, or encumbrances which would have a deleterious impact on the site's marketability and/or market value. However, a title examination was not provided to the appraisers as part of the appraisal process.

## **HIGHEST AND BEST USE**

Highest and best use is defined in *The Dictionary of Real Estate Appraisal*, Fifth Edition, Appraisal Institute as follows:

*The reasonably probable and legal use of vacant land or an improved property that is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity.*

This publication goes on to distinguish the highest and best use as vacant and as improved, as follows:

*Highest and best use of land or site as though vacant - Among all reasonable, alternative uses, the use that yields the highest present land value, after payments are made for labor, capital, and coordination. The use of a property based on the assumption that the parcel of land is vacant or can be made vacant by demolishing any improvements.*

*Highest and best use of property as improved - The use that should be made of a property as it exists. An existing improvement should be renovated or retained as is so long as it continues to contribute to the total market value of the property, or until the return from a new improvement would more than offset the cost of demolishing the existing building and constructing a new one.*

## **HIGHEST AND BEST USE**

### **As Vacant**

In order to determine highest and best use of the subject property, as vacant, the following factors must be considered when addressing possible uses. They are:

1. Legally Permissible
2. Physically Possible
3. Financially Feasible
4. Maximally Productive

As described in the Zoning section of this report, the subject is located in the General Industrial District and Power Generation District. Furthermore, the subject is guided Heavy Industrial. These zoning districts are designed to provide for the establishment of industrial manufacturing, power generation, warehouse development and other uses which, because of the nature of the product or character of activity, requires isolation from residential or commercial uses. As such, a wide variety of industrial development options would be legally permissible.

The subject is a 341.27-acre tract of land, net of right-of-way, and therefore large enough to accommodate a wide variety of industrial development. The site is primarily level. As evidenced by development on neighboring parcels, soils in the area appear suitable for typical construction practices. Currently, municipal utilities are located approximately 2,500 feet east of the subject. However, the City of Becker has a proposed infrastructure project to extend sanitary sewer along Hancock Street, with a service stub at University Avenue, approximately 1,200 feet east of the subject. Furthermore, municipal water is planned to be extended along a new frontage road that will traverse the northeast portion of the tract.

The subject has good access to regional transportation routes, with right-turn only access to southbound Highway 10 at the northeast corner of the parcel. The proposed City project will replace the easterly portion of University Avenue with an industrial-standard roadway. As a result, the subject will also have suitable connectivity to both northbound and southbound Highway 10 at Hancock Street. Thus, it is physically possible to develop the subject in the near term. However, extraordinary development costs are anticipated for extending utilities to the property boundary and improvements to Hancock Street.

## **HIGHEST AND BEST USE**

### **As Vacant**

As evidenced by the comparable sales, there are examples of new industrial developments occurring between the Twin Cities and St. Cloud. Particularly, the subject offers a buyer the opportunity to acquire a large tract of land where specialized industrial needs could be met. Furthermore, industrial use conforms to existing development in the neighborhood. Given the subject's convenient access to regional transportation corridors, industrial development appears to be financially feasible. Even so, considering the subject's location in a rural community, an owner-user would be the most likely buyer of the subject land.

Based on the characteristics revealed by the market, along with current supply and demand influences, the highest and best use of the subject property, as vacant, is for industrial development consistent with zoning. While the subject may not be developed to its maximum density for a number of years, it could be developed with lots or in phases over time in response to demand in the market.

### **As Improved**

The subject is improved with a single family home and ancillary agricultural outbuildings. The highest and best use of the subject property, as vacant, is for industrial development consistent with zoning. As such, the current improvements are not consistent with the highest and best use of the subject, as vacant, and are considered an underutilization of the site.

Based on an exterior inspection of the subject, a review of land intensive industrial uses, and sales of vacant industrial tracts, the improvements have no contributory value to the overall market value of the subject. Therefore, the highest and best use of the subject, as improved, is industrial development consistent with zoning after razing the improvements.



## **EXPOSURE AND MARKETING TIME**

Exposure time of 12 to 18 months would be required to sell the subject property, based on the value stated herein. Marketing time, including due diligence and closing, is also estimated at 12 to 18 months.

## **APPRAISAL PROCEDURES AND TECHNIQUES**

Three traditional approaches to value are widely accepted in the appraisal of real property. These three approaches are briefly described below.

Cost Approach - Considers the current cost of reproducing a property less the depreciation from three sources: physical deterioration, functional obsolescence and external obsolescence. A summation of the market value of the land, assumed vacant, and the depreciated reproduction cost of the improvements provides an indication of the total value of the property.

Sales Comparison Approach - Produces an estimate of value by comparing the subject property to sales and/or listings of similar properties in the same or competing areas. This technique is used to indicate the value established by informed buyers and sellers in the market.

Income Approach - Based on an estimate of the subject property's possible net income. The net income is capitalized to arrive at an indication of value from the standpoint of an investment. This method measures the present worth of anticipated future benefits (net income) derived from a property.

The sales comparison approach is the most common method of developing a market value estimate for land. Therefore, this appraisal utilizes the sales comparison approach to value the subject land. The cost and income approaches are not considered applicable to arrive at credible results, and are not completed in this analysis.

## **SALES COMPARISON APPROACH**

In the sales comparison approach, sales of vacant land comparable to the subject property are gathered and analyzed. The sale prices are adjusted for market conditions and other relevant variations. The adjusted prices are reduced to some common unit of comparison,

### **SALES COMPARISON APPROACH**

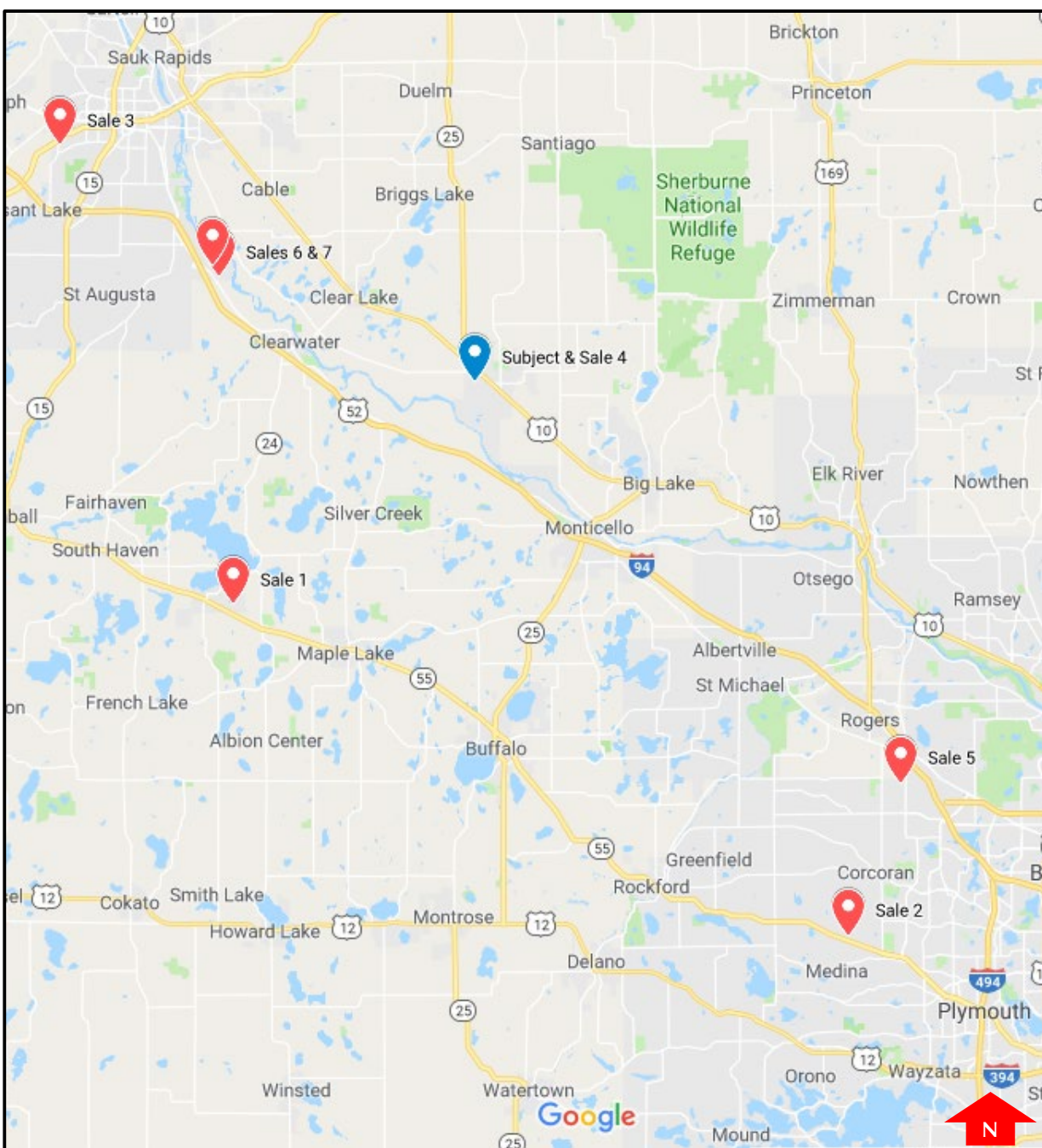
such as price per acre or price per SF. The appraiser analyzes this information and derives a unit value applicable to the subject property. When applied to the appropriate unit measure, this value results in an estimate of the market value of the land. The unit of comparison most commonly used for large tracts of industrial land is price per acre.

The validity of this approach is based on the assumption that continuity exists between similar properties of like adequacy and their market values. The reliability of this technique is dependent upon the availability of sales data and the degree of comparability of the sales analyzed. A sufficient number of verifiable sales are available to validate this approach.

To apply this approach to the subject, information has been sought on recent sales of parcels that are similar in terms of highest and best use, location, size and appeal. The search focused on sales in Sherburne County, Hennepin County, Wright County and Stearns County. The sales used in this analysis are presented on a location map, followed by individual write-ups, an adjustment grid, and narrative analysis, to arrive at a value estimate.

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**COMPARABLE SALES LOCATION MAP**

## SALES COMPARISON APPROACH



### Comparable Sale 1

Location:	100 Annandale Boulevard Annandale, Wright County, Minnesota
PID(s):	102-500-294101, 102-500-294201, & 105-500-294309
Buyer:	Independent School District 876
Seller:	Trace Developers, LLC
Date of Sale:	April 2019
Public Utilities:	Proximate
Zoning:	AG, General Agricultural District
Guiding:	Industrial and Residential
Intended Use:	School
Size:	79.85 Acres
Sale Price:	\$961,500
Price per Acre:	\$12,041
Remarks:	This is a publicly marketed, arm's-length transaction. The land was purchased for a future school site. The listing agent reported the tract is generally buildable and that municipal utilities are located a short distance to the south in the City's industrial park. The appraisers estimate the distance to extend utilities is approximately 300 feet.



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## SALES COMPARISON APPROACH



### Comparable Sale 2

Location:	NEC Highway 55/Mohawk Road Medina, Hennepin County, Minnesota
PID(s):	03-118-23-42-0001 & 03-118-23-43-0005
Buyer:	Mark R. & Kathleen R. Smith
Seller:	The Wilfred J. Cavanaugh Family Limited Partnership
Date of Sale:	March 2019
Public Utilities:	Available
Zoning:	CH, Commercial-Highway District and RR-UR, Rural Residential-Urban Reserve
Guiding:	Business
Intended Use:	Hold for Urban Residential Development
Size:	52.45 Acres
Sale Price:	\$1,200,000
Price per Acre:	\$22,879
Remarks:	This is an arm's-length transaction. The buyer opined that the price was typical of the market. Municipal utilities are available and there were no pending assessments at the time of closing. While the land is guided for business development with office headquarter development adjacent to the east, the buyer purchased the land to urban residential development. However, the city has not been willing to rezone the property yet. The buyer is planning to hold the property until there is increased demand for residential development.

### SALES COMPARISON APPROACH

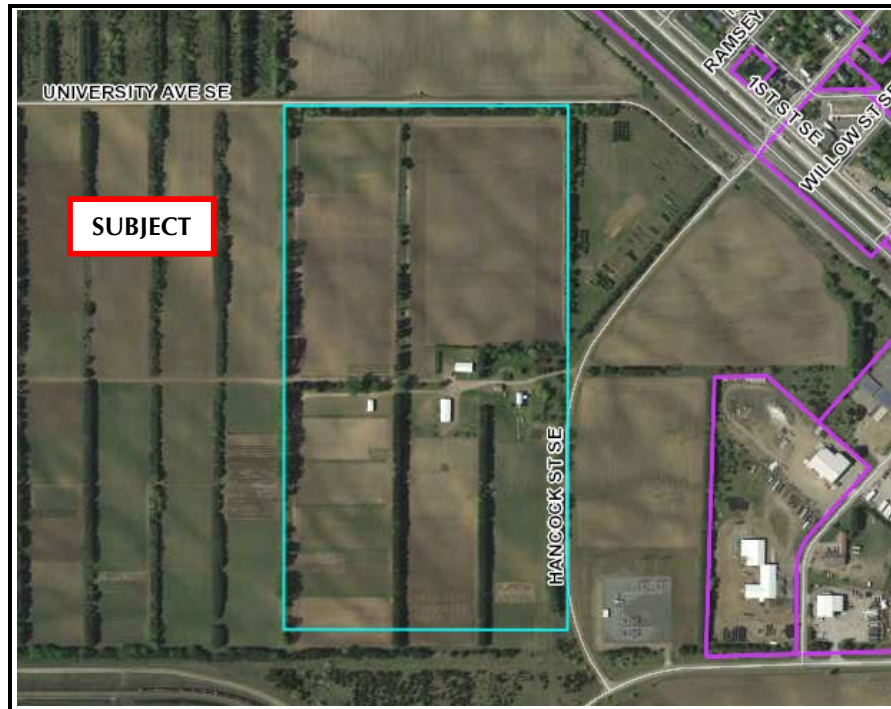


#### Comparable Sale 3

Location:	2323 County Road 137 Waite Park, Stearns County, Minnesota
PID(s):	98.60568.0315, 98.60568.0350, & 98.60568.0364
Buyer:	Cayman Development, LLC
Seller:	Anderson Grandchildren Limited Partnership
Date of Sale:	June 2018
Public Utilities:	Available
Zoning:	R-1, Single Family Residential District and I-1, Industrial District
Intended Use:	Industrial
Size:	64.43 Acres
Sale Price:	\$1,165,000
Less:	\$ 136,600 (Assessed Building Value)
Indicated Land Price:	<u>\$1,028,400</u>
Price per Acre:	\$18,082
Remarks:	This land was not publicly marketed; however, the transaction appears to be an arm's-length sale. The Certificate of Real Estate Value states the planned use is industrial, consistent with guiding. The site is improved with two large pole buildings that have a total 2018 assessed value of \$136,600.

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## SALES COMPARISON APPROACH



Comparable Sale 4

Location:	12432 Hancock Street Southeast Becker, Sherburne County, Minnesota
PID(s):	60-336-1105
Buyer:	Praedius (USA 1), LLC
Seller:	Northern States Power Company
Date of Sale:	June 2018
Public Utilities:	Extension Required
Zoning:	I-GEN, General Industrial District
Intended Use:	Metal Recycling
Size:	78.73 Acres
Sale Price:	\$1,325,000
Price per Acre:	\$16,830
Remarks:	This land was not publicly marketed. The buyer and seller originally negotiated the price based on a different property. When it was determined that the other site would not work for the buyer's needs, this tract adjacent to the east of the subject was purchased without re-negotiating the sale price. Even so, the sale is considered an arm's-length transaction. Furthermore, the seller benefits by having this heavy power user proximate to the Sherco Power Plant. At the time of sale, upgrades to Hancock Street and municipal utilities were needed for industrial development. While assessments for the Hancock Street infrastructure project have not been set, the City reported that the buyer will be responsible for assessments in the range of \$1,000,000 to \$1,200,000.



## SALES COMPARISON APPROACH



### Comparable Land Sale 5

Location: West Side of Brockton Lane  
Corcoran, Hennepin County, Minnesota  
PID(s): 01-119-23-11-0001  
Buyer: Craig Scherber & Associates, Inc.  
Seller: Carla Bebeau, et. al  
Date of Sale: February 2018  
Public Utilities: Sanitary sewer is available to serve the site; however, municipal watermain is located approximately 1,000 feet to the south.  
Zoning: I-1, Light Industrial District  
Intended Use: Hold as investment  
Size: 78.85 Acres  
Sale Price: \$1,500,000  
Price per Acre: \$19,023  
Remarks: The property is zoned and guided Light Industrial by Corcoran, but is located in a predominately residential area. The tract was previously under contract with Pulte Homes for \$2.4 million, contingent upon a zoning/ guiding change from industrial to residential. The City denied the request and the sale fell through. Subsequently, an investor acquired the site on speculation, and intends to hold the property until the proposed I-94 / Brockton Lane interchange is constructed. Based on Hennepin County GIS measurements, the wetland area of the parcel appears to be approximately 23.2 acres, or 29%.



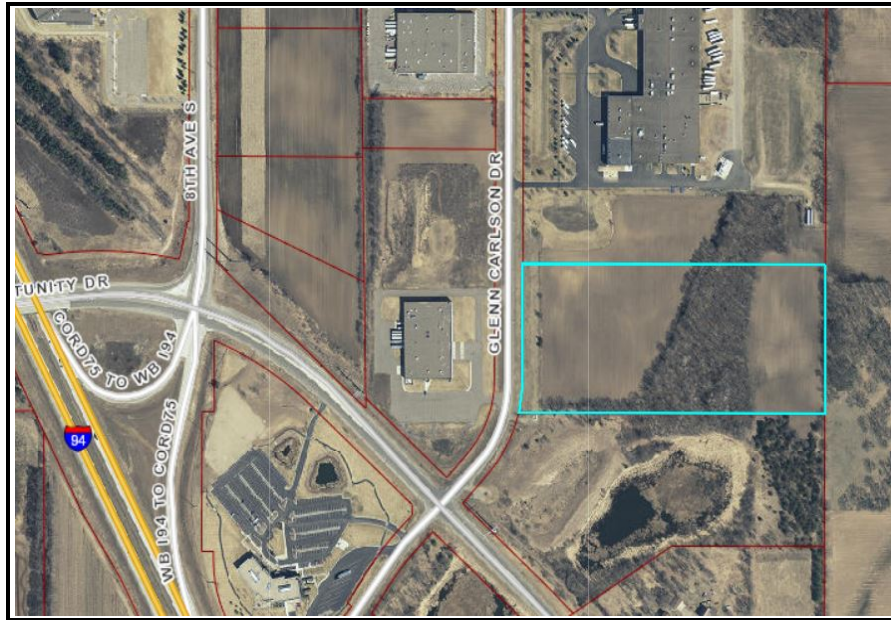
## SALES COMPARISON APPROACH



### Comparable Sale 6

Location:	315 74 <sup>th</sup> Street South St. Cloud, Stearns County, Minnesota
PID(s):	82.50617.0250
Buyer:	Mark Coborn and Chris Coborn Real Property Family Partnership
Seller:	Saint Cloud Opportunities, Inc.   SEA Development, LLC
Date of Sale:	December 2017
Public Utilities:	Available
Zoning:	I-3 – Planned Industrial District
Guiding:	Light Industrial
Intended Use:	Distribution Warehouse
Size:	40.00 Acres
Sale Price:	\$2,178,000
Price per Acre:	\$54,450
Remarks:	This is the sale of a site that was publicly marketed since 2006. Based on discussion with the seller, the most recent list price was \$1.75 per SF, and the sale price equates to \$1.25 per SF. Even though the seller is a non-profit, the sale price was indicated to be at market. Utilities are available at the site, and the property is generally level and open. Additionally, the property is located in a business park proximate to I-94.

## SALES COMPARISON APPROACH



### Comparable Sale 7

Location:	6850 Glenn Carlson Drive St. Cloud, Stearns County, Minnesota
PID(s):	82.50617.0237
Buyer:	Arctic Cat, Inc.
Seller:	Economic Development Authority (St. Cloud)
Date of Sale:	September 2016
Public Utilities:	Available
Zoning:	I-3, Planned Industrial District
Guiding:	Light Industrial
Intended Use:	Manufacturing/Test Track
Size:	17.90 Acres
Sale Price:	\$894,200
Price per Acre:	\$49,955
Remarks:	This site is located a short distance northwest of Comparable Sale 6, and also has convenient access to I-94. The seller indicated the sale price to be at market, based on recent nearby sales and a previous transaction of this property in April 2015. The 2015 sale transacted for \$1.15 per SF, which is also what the property sold for at this transaction. The westerly portion of the site is generally level and open, whereas the easterly portion is partly wooded and sloping. Utilities are available at the site.

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COMPARABLE LAND SALES ADJUSTMENT GRID									
Sale Data	Subject	Sale 1	Sale 2	Sale 3	Sale 4	Sale 5	Sale 6	Sale 7	Averages
Location City, State	13500 University Ave. SE Becker, MN	100 Annandale Blvd. Annandale, MN	NEC Hwy 55/Mohawk Road Medina, MN	2323 County Road 137 Waite Park, MN	12432 Hancock St. SE Becker, MN	West Side of Brockton Lane Corcoran, MN	315 74th Street South St. Cloud, MN	6850 Glenn Carlson Drive St. Cloud, MN	
Property ID No.	60-336-2100	102-500-294101 et al.	03-118-23-42-0001 & 03-118-23-43-0005	98.60568.0315 et al.	60-336-1105	01-119-23-11-0001	82.50617.0250	82.50617.0237	
Land Area (Net R/W)	340.97 AC	79.85 AC	52.45 AC	64.43 AC	78.73 AC	78.85 AC	40.00 AC	17.90 AC	
Recorded Sale Price Price per Acre		\$961,500 \$12,041	\$1,200,000 \$22,879	\$1,165,000 \$18,082	\$1,325,000 \$16,830	\$1,500,000 \$19,023	\$2,178,000 \$54,450	\$894,200 \$49,955	\$27,609
Transactional Adjustments									
Unadjusted Sale Price		\$961,500	\$1,200,000	\$1,165,000	\$1,325,000	\$1,500,000	\$2,178,000	\$894,200	
Property Rights	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	
Adjusted Sale Price		\$961,500	\$1,200,000	\$1,165,000	\$1,325,000	\$1,500,000	\$2,178,000	\$894,200	
Financing	Cash To Seller	Cash To Seller	Cash To Seller	Cash To Seller	Cash To Seller	Cash To Seller	Cash To Seller	Cash To Seller	
Adjusted Sale Price		\$961,500	\$1,200,000	\$1,165,000	\$1,325,000	\$1,500,000	\$2,178,000	\$894,200	
Conditions of Sale	Typical	Typical	Typical	Typical	Motivated Seller	Typical	Typical	Typical	
Adjusted Sale Price		\$961,500	\$1,200,000	\$1,165,000	\$1,457,500	\$1,500,000	\$2,178,000	\$894,200	
Special Assessments	None	None	None	None	None	None	None	None	
Adjusted Sale Price		\$961,500	\$1,200,000	\$1,165,000	\$1,457,500	\$1,500,000	\$2,178,000	\$894,200	
Other Contributions/Expenditures	None	None	None	Building Value	None	None	None	None	
Adjusted Sale Price		\$961,500	\$1,200,000	\$1,028,400	\$1,457,500	\$1,500,000	\$2,178,000	\$894,200	
Market Conditions	3-Sep-19	Apr-19	Mar-19	Jun-18	Jun-18	Feb-18	Dec-17	Sep-16	
Adjusted Sale Price		\$971,115	\$1,212,000	\$1,069,536	\$1,515,800	\$1,575,000	\$2,286,900	\$947,852	
Adjusted Sale Price per Acre		\$12,162	\$23,108	\$16,600	\$19,253	\$19,975	\$57,173	\$52,953	\$28,746
Property Adjustments									
Location	Average	Inferior	Similar	Similar	Similar	Similar	Superior	Superior	
Zoning	I-GEN, I-PG	AG	CH/RR-UR	R-1, I-1	I-GEN	I-1	I-3	I-3	
Size	340.97 AC	79.85 AC	52.45 AC	64.43 AC	78.73 AC	78.85 AC	40.00 AC	17.90 AC	
Shape	Generally Rectangular	Generally Rectangular	Irregular	Irregular	Rectangular	Rectangular	Generally Rectangular	Rectangular	
Access/Roads	Average	Inferior	Similar	Similar	Inferior	Similar	Similar	Adequate	
Public Utilities	Unavailable	Minor Extension Req.	Available	Available	Extension Required	Water Extension Required	Available	Available	
Terrain	Mixed Trees & Ag./Level	Mixed Trees/Ag.	Wooded/49% Wetland	Wooded/28% Wetland	Mixed Trees/Ag., Level	Mixed Upland/29% Wetland	Open/Level	Gen. Lvl to Slping w/Plty Wded	
Net Adjustment		0.94	0.79	0.69	0.88	0.80	0.39	0.32	
Indicated Subject									
Value per Acre		\$11,432	\$18,255	\$11,454	\$16,943	\$15,980	\$22,297	\$16,945	\$16,187
Value per SF		\$0.26	\$0.42	\$0.26	\$0.39	\$0.37	\$0.51	\$0.39	\$0.37

## **SALES COMPARISON APPROACH**

### **Explanation of Adjustments**

Property Rights:	We are appraising the market value of the fee simple interest in the property. All of the comparable sales involved transfers of the fee simple interest. As such, no adjustments for property rights conveyed have been made.
Financing:	All of the comparable sales resulted in cash to the seller at closing. Therefore, no adjustment is applied.
Conditions of Sale:	All of the comparable sales are considered arm's-length transactions by unrelated parties. However, the seller of Comparable 4 benefits from having this specific use at this location, warranting an upward adjustment.
Special Assessments:	None of the sales reported that assessments were due at closing, except Comparable 4. However, in this case, the sales are adjusted to the "as-is" condition of the subject, which requires future sanitary sewer and municipal water extensions. Therefore, Comparable 4 is not adjusted for pending assessments.
Other Contributions/ Expenditures:	Comparable 3 is improved with two pole buildings. Therefore, the 2018 assessor's value of the improvements have been subtracted from the sale price to arrive at an indicated price paid for the land. No other adjustments are necessary.
Market Conditions:	<p>This adjustment reflects differences in market conditions between the date of appraisal and the date the comparables sold or when the sale price was negotiated. The date of valuation is September 3, 2019. The comparable sales occurred between September 2016 and April 2019.</p> <p>Demand for industrial land proximate to the Twin Cities stabilized in 2011 and 2012, following the recession. Since that time, there has been strong demand for industrial development in most markets. However, given the subject's location in a free-standing rural community, the market conditions adjustment for industrial land in more outlying areas is tempered somewhat. The comparable sales are adjusted upward 3% per annum from 2017 through the date of valuation.</p>

## **SALES COMPARISON APPROACH**

### **Explanation of Adjustments**

Location:	<p>This adjustment is based upon observations of both the subject and the comparable sales. Primary consideration is given to factors such as demand generators, frontage, surrounding land use, regional accessibility, and proximity to the St. Cloud and Twin Cities metropolitan areas.</p> <p>Comparable 1 is located in a rural community, distant from major transportation corridors. For this reason, Comparable 1 is given an upward adjustment. Comparables 6 and 7 are located in an active industrial neighborhood proximate to the Saint Cloud metropolitan area. Therefore, these sale are given downward adjustments.</p>
Zoning:	<p>The comparable sales were selected based on their similarity to the subject in land use allowed by their respective zoning designations or guiding. However, the zoning of Comparable 1 requires rezoning prior to industrial use. Alternatively, the Commercial Highway zoning of Comparable 2 allows for more intense land uses. Therefore, Comparable 2 is given a slight downward adjustment.</p>
Size:	<p>Typically a smaller site will command a higher price per unit than a larger site, all else being equal. The size adjustment applied is based on the premise that for each doubling in size, there is a 10% reduction in the per unit price.</p>
Shape:	<p>The subject property boundary is effectively rectangular. Comparables 2 and 3 have irregular boundaries and are given upward adjustments.</p>
Access/Roads:	<p>The subject has frontage on a paved public roadway. In this case, all of the comparable sales are similar, except Comparables 1 and 4. Comparable 1 requires a short extension of the industrial park roadway to serve the site. Access to Comparable 4 is via Hancock Street, which is a gravel road incapable of supporting heavy industrial traffic. Therefore, Comparable 4 is given an upward adjustment.</p>
Public Utilities:	<p>As discussed in the Highest and Best Use Section, the City of Becker is planning to extend sanitary sewer and water main proximate to the subject. As shown on the Map on page 11, water will be extended to the subject boundary. Alternatively, sewer will be extended to a location approximately 1,200 feet east of the central</p>



## **SALES COMPARISON APPROACH**

### **Explanation of Adjustments**

**Public Utilities  
(continued):**

portion of the subject. As such, sanitary sewer will need to be extended to the property, or an acceptable alternative private sewer system will need to be installed.

However, for the purpose of this analysis, the subject is valued in its "as-is" condition, which requires substantial extension of municipal utilities. Therefore, downward adjustments are applied to the comparable sales that have municipal utilities available.

**Terrain:**

The subject is mostly open, generally level, and considered entirely usable. Upward adjustments are made to the comparable sales where wetlands or slopes impact development potential. Adjustments are based on wetland areas contributing 30% of the value of buildable upland.

### **Analysis**

The six comparable sales range in unadjusted price from \$12,041 per acre to \$54,450 per acre, with an average of \$27,609 per acre. After the adjustment process, the sales range in unit price from \$11,432 per acre to \$22,297 per acre, with an average of \$16,187 per acre. This narrowing of the unit range supports the selection of comparable sales chosen for analysis. In this case, the median is similar, with an indicated unit value of \$16,943 per acre.

Comparable 1 is the lowest indicator. Given that Sale 1 is located in an outlying area, distant from an interstate highway corridor, less weight is given to this sale. Alternatively, Sale 4 is adjacent to the subject, and required significant infrastructure improvements at the time of sale, similar to the subject. Therefore, more weight is given to Comparable 4.

Furthermore, Comparables 6 and 7 are proximate to St. Cloud in an active industrial neighborhood. As such, Comparables 6 and 7 likely overstate the value of the subject land.

The subject is an extraordinarily large parcel suitable for near-term industrial development. However, due to its size, development is likely to occur in phases, over an extended period

## **SALES COMPARISON APPROACH**

### Analysis

of time. The appraisers were unable to identify any sales of properties slated for industrial development proximate to the subject, over 100 acres, during the three year period prior to the date of valuation. Given the size of the subject, an estimate in the lower end of the range indicated by the comparable sales is considered appropriate for the subject.

Based on this analysis, and recognizing the size of the subject, the unit value of the subject land is estimated to be \$15,000 per acre, net of right-of-way.

Thus, the potential market value of the subject land as of September 3, 2019, is calculated as follows:

$$\begin{array}{rcll} 341.27 \text{ Acres} & \times & \$15,000 \text{ per Acre} & = & \$5,119,050 \\ & & \text{Rounded to} & & \$5,120,000 \end{array}$$

Again, the above value estimate of \$5,120,000 assumes that the site is vacant with near term development potential. However, as discussed in the Highest and Best Use section of this report, it is recognized that the existing structures will be razed. Therefore, demolition costs must be considered.

The cost to raze the home and outbuildings must be calculated. In order to estimate demolition costs of the structures, the Marshall Valuation Service Cost Manual was used. The costs were taken from Section 66 Page 11. The home and outbuildings have a combined area of 4,491 SF, based on Sherburne County property records. Demolition costs are estimated at \$4.00 per SF, including hauling and disposal. Therefore, the estimate to raze the existing improvements equates to \$17,964 (4,491 SF x \$4.00 per SF) and is rounded to \$20,000.

Assuming this cost will be incurred by the buyer of the subject property, demolition costs are deducted from the potential market value in order to estimate the as-is market value of the subject property.

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### **FINAL SUMMATION**

Based on the preceding data and analysis, the appraisers' final conclusion of market value, as of September 3, 2019, is presented as follows:

Potential Market Value	\$5,120,000
Less: Demolition Cost	<u>\$ 20,000</u>
As-Is Market Value	\$5,100,000

FIVE MILLION ONE HUNDRED THOUSAND DOLLARS

Note: The above value conclusion assumes that the buyer of the subject is responsible for special assessments, if any, assigned to the property for public improvement projects that may be pending or proposed at the time of sale.

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## ADDENDA

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## **EXHIBIT 1**

### City of Becker Demographic Profile

(Pages 42-50)



## Demographic Profile

In 2010, the population in ZCTA 55308\* was 9,064.

The region has a civilian labor force of 5,088 with a participation rate of 81.4%. Of individuals 25 to 64 in ZCTA 55308,\* 29.8% have a bachelor's degree or higher which compares with 30.5% in the nation.

The median household income in ZCTA 55308\* is \$78,611 and the median house value is \$194,200.

Demographic Profile <sup>1</sup>						
	Percent			Value		
	ZCTA 55308	Minnesota	USA	ZCTA 55308	Minnesota	USA
<b>Demographics</b>						
Population	—	—	—	9,064	5,303,925	308,745,538
Median Age <sup>3</sup>	—	—	—	32.5	37.4	37.2
Under 18 Years	33.4%	24.2%	24.0%	3,027	1,284,063	74,181,467
18 to 24 Years	7.2%	9.5%	9.9%	655	502,799	30,672,088
25 to 34 Years	13.0%	13.5%	13.3%	1,182	715,586	41,063,948
35 to 44 Years	17.2%	12.8%	13.3%	1,556	681,094	41,070,606
45 to 54 Years	14.3%	15.2%	14.6%	1,296	807,898	45,006,716
55 to 64 Years	7.8%	11.9%	11.8%	707	629,364	36,482,729
65 to 74 Years	4.0%	6.7%	7.0%	366	354,427	21,713,429
75 Years, and Over	3.0%	6.2%	6.0%	275	328,694	18,554,555
Race: White	96.8%	85.3%	72.4%	8,778	4,524,062	223,553,265
Race: Black or African American	0.3%	5.2%	12.6%	30	274,412	38,929,319
Race: American Indian and Alaska Native	0.3%	1.1%	0.9%	25	60,916	2,932,248
Race: Asian	0.6%	4.0%	4.8%	55	214,234	14,674,252
Race: Native Hawaiian and Other Pacific Islander	0.1%	0.0%	0.2%	5	2,156	540,013
Race: Some Other Race	0.4%	1.9%	6.2%	36	103,000	19,107,368
Race: Two or More Races	1.5%	2.4%	2.9%	135	125,145	9,009,073
Hispanic or Latino (of any race)	1.4%	4.7%	16.3%	125	250,258	50,477,594
<b>Economic</b>						
Labor Force Participation Rate and Size (civilian population 16 years and over) <sup>4</sup>	81.4%	70.2%	63.8%	5,088	2,958,989	157,113,886
Armed Forces Labor Force <sup>4</sup>	0.0%	0.1%	0.4%	0	2,487	1,083,691
Veterans, Age 18-64 <sup>4</sup>	6.7%	5.8%	6.2%	370	195,510	11,977,656
Median Household Income <sup>3,4</sup>	—	—	—	\$78,611	\$59,836	\$53,046
Poverty Level (of all people) <sup>4</sup>	4.5%	11.5%	15.4%	395	598,391	46,663,433
Mean Commute Time (minutes) <sup>4</sup>	—	—	—	32.3	22.9	25.5
Commute via Public Transportation <sup>4</sup>	0.4%	3.4%	5.0%	19	92,680	7,000,722
Union Membership <sup>5</sup>	—	14.1%	11.1%	—	—	—
<b>Housing</b>						
Total Housing Units <sup>4</sup>	—	—	—	3,074	2,353,932	132,057,804
Median House Value (of owner-occupied units) <sup>3,4</sup>	—	—	—	\$194,200	\$187,900	\$176,700


Source: JobsEQ®, <http://www.chmuraecon.com/jobseq>  
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Demographic Profile <sup>1</sup>						
	Percent			Value		
	ZCTA 55308	Minnesota	USA	ZCTA 55308	Minnesota	USA
Homeowner Vacancy <sup>4</sup>	1.8%	1.6%	2.2%	43	24,575	1,682,020
Rental Vacancy <sup>4</sup>	13.5%	4.9%	7.3%	92	30,186	3,230,123
Renter-Occupied Housing Units (% of Occupied Units) <sup>4</sup>	20.4%	27.5%	35.1%	589	578,960	40,534,516
Occupied Housing Units with No Vehicle Available (% of Occupied Units) <sup>4</sup>	3.5%	7.1%	9.1%	100	149,666	10,483,077
<b>Social</b>						
No High School Diploma (educational attainment, age 25-64) <sup>4</sup>	5.0%	6.2%	12.2%	251	177,706	20,081,351
High School Graduate (educational attainment, age 25-64) <sup>4</sup>	20.2%	23.9%	26.7%	1,007	681,368	43,924,394
Some College, No Degree (educational attainment, age 25-64) <sup>4</sup>	26.5%	23.1%	22.0%	1,319	659,711	36,266,398
Associate's Degree (educational attainment, age 25-64) <sup>4</sup>	18.4%	11.7%	8.6%	916	334,011	14,216,331
Bachelor's Degree (educational attainment, age 25-64) <sup>4</sup>	24.1%	23.9%	19.5%	1,197	682,593	32,105,737
Postgraduate Degree (educational attainment, age 25-64) <sup>4</sup>	5.7%	11.1%	11.0%	286	318,075	18,142,599
Enrolled in Grade 12 (% of total population) <sup>4</sup>	1.3%	1.5%	1.4%	112	80,464	4,496,472
Disabled, Age 18-64 <sup>4</sup>	5.8%	8.2%	10.1%	317	272,630	19,403,946
Foreign Born <sup>4</sup>	1.7%	7.3%	12.9%	150	392,037	40,341,898
Speak English Less Than Very Well (population 5 yrs and over) <sup>4</sup>	0.4%	4.3%	8.6%	31	212,464	25,148,900

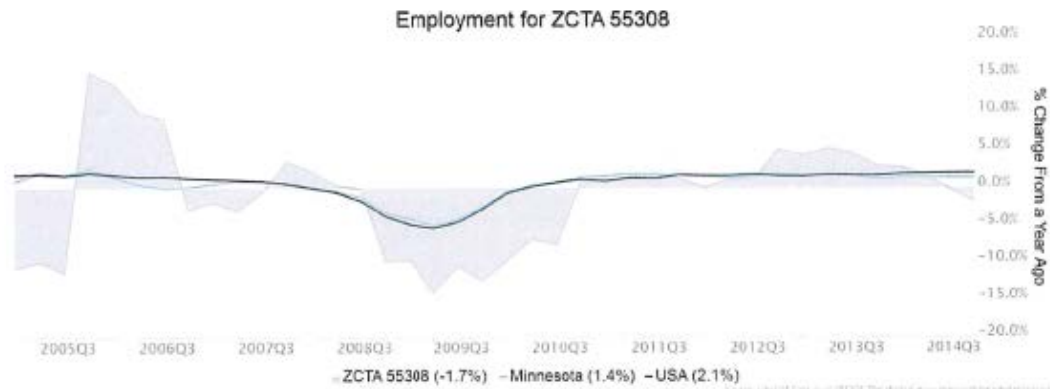
Source: [JobsEQ®](#)  
1. Census 2010, unless noted otherwise  
2. Census 2013, annual average growth rate since 2003  
3. Median values for certain aggregate regions (such as MSAs) may be estimated as the weighted averages of the median values from the composing counties.  
4. ACS 2009-2013  
5. 2013; Current Population Survey, unionstats.com, and Chmura

Source: JobsEQ®, <http://www.chmuraecon.com/jobseq>  
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## Employment Trends

As of 2015Q1, total employment for ZCTA 55308 was 2,016 (based on a four-quarter moving average). Over the year ending 2015Q1, employment declined 1.7% in the region.



Employment data are derived from the Quarterly Census of Employment and Wages, provided by the Bureau of Labor Statistics and imputed where necessary. Data are updated through 2014Q3 with preliminary estimates updated to 2015Q1.

## Wage Trends

The average worker in ZCTA 55308 earned annual wages of \$39,501 as of 2015Q1. Average annual wages per worker increased 1.7% in the region during the preceding four quarters. For comparison purposes, annual average wages were \$51,050 in the nation as of 2015Q1.



Annual average wages per worker data are derived from the Quarterly Census of Employment and Wages, provided by the Bureau of Labor Statistics and imputed where necessary. Data are updated through 2014Q3 with preliminary estimates updated to 2015Q1.

Source: JobsEQ®, <http://www.chmuraecon.com/jobsq>  
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## Cost of Living Index

The Cost of Living Index estimates the relative price levels for consumer goods and services. When applied to wages and salaries, the result is a measure of relative purchasing power. The cost of living is 5.6% higher in ZCTA 55308 than the U.S. average.

Cost of Living Information			
	Annual Average Salary	Cost of Living Index (Base US)	US Purchasing Power
ZCTA 55308	\$39,501	105.6	\$37,402
Minnesota	\$51,361	105.2	\$48,844
USA	\$51,050	100.0	\$51,050

Source: [JobsEQ®](http://www.chmuraecon.com/jobseq)  
Data as of 2015Q1

The Cost of Living Index is developed by Chmura Economics & Analytics and is updated quarterly.

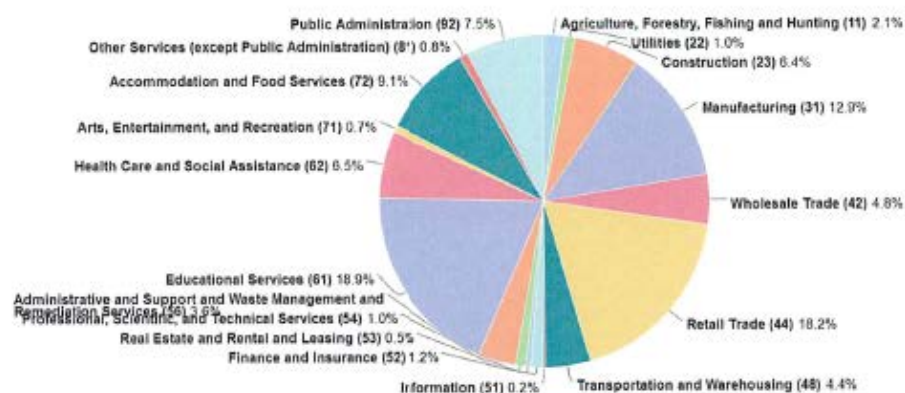
Source: JobsEQ®, <http://www.chmuraecon.com/jobseq>  
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## Industry Snapshot

The largest sector in ZCTA 55308 is Educational Services, employing 382 workers. The next-largest sectors in the region are Retail Trade (367 workers) and Manufacturing (261). High location quotients (LQs) indicate sectors in which a region has high concentrations of employment compared to the national average. The sectors with the largest LQs in the region are Agriculture, Forestry, Fishing and Hunting (LQ = 2.35), Educational Services (2.11), and Utilities (1.67).

Total Workers for ZCTA 55308 by Industry



Employment data are derived from the Quarterly Census of Employment and Wages, provided by the Bureau of Labor Statistics and imputed where necessary. Data are updated through 2014Q3 with preliminary estimates updated to 2015Q1.

Sectors in ZCTA 55308 with the highest average wages per worker are Utilities (\$72,262), Construction (\$57,358), and Professional, Scientific, and Technical Services (\$55,166). Regional sectors with the best job growth (or most moderate job losses) over the last 5 years are Accommodation and Food Services (+84 jobs), Construction (+52), and Administrative and Support and Waste Management and Remediation Services (+46).

Over the next 10 years, employment in ZCTA 55308 is projected to expand by 268 jobs. The fastest growing sector in the region is expected to be Health Care and Social Assistance with a +3.3% year-over-year rate of growth. The strongest forecast by number of jobs over this period is expected for Health Care and Social Assistance (+51 jobs), Construction (+39), and Retail Trade (+25).

Source: JobsEQ®, <http://www.chmuraecon.com/jobseq>  
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		Current			Historical				Forecast		
		Four Quarters Ending with 2015q1			Total Change over the Last 5 Years	Average Annual % Change in Employment 2010q1-2015q1			Over the Next 10 Years		
NAICS	Industry	Empl	Avg. Annual Wages	Location Quotient	Empl	ZCTA 55308	Minnesota	USA	Total Approx Repl Demand	Total Growth Demand	Avg. Annual Growth Percent
11	Agriculture, Forestry, Fishing and Hunting	43	\$28,533	2.35	29	25.0%	2.5%	1.5%	15	0	-0.1%
21	Mining, Quarrying, and Oil and Gas Extraction	0	n/a	0.00	0	n/a	8.1%	6.3%	0	0	0.0%
22	Utilities	20	\$72,262	1.67	19	90.7%	0.5%	-0.4%	5	-2	-1.2%
23	Construction	129	\$57,358	1.39	52	10.9%	3.3%	1.4%	29	39	2.7%
31	Manufacturing	261	\$50,805	1.45	44	3.8%	1.3%	1.1%	61	3	0.1%
42	Wholesale Trade	97	\$48,212	1.14	28	7.0%	1.2%	1.2%	22	7	0.7%
44	Retail Trade	367	\$24,693	1.62	-56	-2.8%	0.8%	1.3%	117	25	0.7%
48	Transportation and Warehousing	89	\$39,163	1.13	-68	-10.7%	0.7%	1.5%	24	8	0.9%
51	Information	4	\$48,777	0.11	-3	-9.6%	-0.6%	-0.2%	1	0	-0.1%
52	Finance and Insurance	23	\$54,453	0.28	-22	-12.4%	0.4%	0.3%	6	2	0.7%
53	Real Estate and Rental and Leasing	10	\$23,291	0.33	1	1.9%	1.7%	1.0%	2	1	1.2%
54	Professional, Scientific, and Technical Services	20	\$55,166	0.16	-19	-12.2%	2.9%	2.6%	5	4	1.9%
55	Management of Companies and Enterprises	0	n/a	0.00	-2	n/a	2.4%	3.3%	0	0	0.0%
56	Administrative and Support and Waste Management and Remediation Services	74	\$26,541	0.58	46	21.6%	3.6%	3.8%	18	15	1.9%
61	Educational Services	382	\$44,712	2.11	-49	-2.4%	0.3%	0.2%	79	-2	0.0%
62	Health Care and Social Assistance	131	\$31,600	0.45	-40	-5.2%	1.7%	2.2%	29	51	3.3%
71	Arts, Entertainment, and Recreation	14	\$13,017	0.40	3	4.6%	0.5%	1.5%	5	2	1.1%
72	Accommodation and Food Services	183	\$12,279	0.98	84	13.1%	1.5%	2.7%	67	17	0.9%
81	Other Services (except Public Administration)	16	\$19,735	0.26	-16	-12.5%	1.3%	-0.6%	4	2	1.2%
92	Public Administration	152	\$45,447	1.43	6	0.8%	0.5%	-0.7%	37	-1	-0.1%
	Total - All Industries	2,016	\$39,501	1.00	39	0.4%	1.4%	1.5%	519	268	1.3%

Source: [JobsEQ®](#)  
Employment data are derived from the Quarterly Census of Employment and Wages, provided by the Bureau of Labor Statistics and imputed where necessary. Data are updated through 2014Q3 with preliminary estimates updated to 2015Q1. Forecast employment growth uses national projections adapted for regional growth patterns.

Source: JobsEQ®, <http://www.chmuraecon.com/jobseq>  
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## Occupation Snapshot

The largest major occupation group in ZCTA 55308 is Education, Training, and Library Occupations, employing 282 workers. The next-largest occupation groups in the region are Office and Administrative Support Occupations (249 workers) and Sales and Related Occupations (241). High location quotients (LQs) indicate occupation groups in which a region has high concentrations of employment compared to the national average. The major groups with the largest LQs in the region are Education, Training, and Library Occupations (LQ = 2.26), Farming, Fishing, and Forestry Occupations (2.12), and Transportation and Material Moving Occupations (1.46).

Occupation groups in ZCTA 55308 with the highest average wages per worker are Management Occupations (\$89,600), Legal Occupations (\$85,200), and Healthcare Practitioners and Technical Occupations (\$74,200). The unemployment rate in the region varied among the major groups from 1.6% among Management Occupations to 6.4% among Construction and Extraction Occupations.

Over the next 10 years, the fastest growing occupation group in ZCTA 55308 is expected to be Healthcare Support Occupations with a +2.4% year-over-year rate of growth. The strongest forecast by number of jobs over this period is expected for Construction and Extraction Occupations (+26 jobs) and Food Preparation and Serving Related Occupations (+16). Over the same period, the highest replacement demand (occupation demand due to retirements and workers moving from one occupation to another) is expected in Sales and Related Occupations (82 jobs) and Food Preparation and Serving Related Occupations (71).

Occupation Snapshot in ZCTA 55308													
		Current					Historical				Forecast		
		Four Quarters Ending with 2015q1			2015q1		Total Change over the Last 5 Years	Avg Ann % Chg in Empl 2010q1-2015q1			Over the Next 10 Years		
SOC	Title	Empl	Avg. Annual Wages <sup>1</sup>	LQ	Unempl	Unempl Rate	Empl	ZCTA 55308	Minnesota	USA	Total Repl Demand	Total Growth Demand	Avg. Annual Growth Percent
11-0000	Management Occupations	88	\$89,600	0.87	4	1.6%	9	2.1%	1.5%	1.5%	24	5	0.6%
13-0000	Business and Financial Operations Occupations	50	\$56,600	0.50	5	2.4%	1	0.3%	1.4%	1.5%	11	4	0.8%
15-0000	Computer and Mathematical Occupations	19	\$64,300	0.34	2	2.2%	3	3.1%	2.0%	2.4%	3	2	0.9%
17-0000	Architecture and Engineering Occupations	22	\$65,600	0.62	2	2.1%	3	3.1%	1.6%	1.2%	5	-1	-0.3%
19-0000	Life, Physical, and Social Science Occupations	10	\$56,500	0.57	1	2.5%	1	2.6%	1.7%	1.2%	3	0	0.0%
21-0000	Community and Social Service Occupations	21	\$46,200	0.69	2	2.3%	-12	-8.7%	1.8%	2.6%	4	0	0.1%
23-0000	Legal Occupations	5	\$85,200	0.31	0	2.0%	-1	-2.1%	-0.1%	0.1%	1	0	0.4%
25-0000	Education, Training, and Library Occupations	282	\$46,500	2.26	11	4.0%	-34	-2.2%	0.5%	0.3%	61	6	0.2%
27-0000	Arts, Design, Entertainment, Sports, and Media Occupations	17	\$38,000	0.61	2	4.4%	-6	-6.3%	0.5%	1.0%	5	1	0.7%

Source: JobsEQ®, <http://www.chmuraecon.com/jobseq>  
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Occupation Snapshot in ZCTA 55308													
Current							Historical				Forecast		
SOC	Title	Four Quarters Ending with 2015q1			2015q1		Total Change over the Last 5 Years	Avg Ann % Chg in Empl 2010q1-2015q1			Over the Next 10 Years		
		Empl	Avg. Annual Wages <sup>1</sup>	LQ	Unempl	Unempl Rate		ZCTA 55308	Minnesota	USA	Total Repl Demand	Total Growth Demand	Avg. Annual Growth Percent
29-0000	Healthcare Practitioners and Technical Occupations	59	\$74,200	0.51	5	1.8%	12	4.8%	1.3%	1.3%	13	12	1.9%
31-0000	Healthcare Support Occupations	29	\$29,300	0.48	6	3.5%	-3	-2.3%	1.5%	2.0%	6	8	2.4%
33-0000	Protective Service Occupations	47	\$43,200	0.97	3	2.8%	-13	-4.8%	0.5%	0.5%	15	2	0.5%
35-0000	Food Preparation and Serving Related Occupations	189	\$18,500	1.03	32	6.1%	66	8.9%	1.4%	2.5%	71	16	0.8%
37-0000	Building and Grounds Cleaning and Maintenance Occupations	56	\$23,900	0.83	10	6.0%	5	2.0%	1.9%	0.9%	13	4	0.7%
39-0000	Personal Care and Service Occupations	40	\$21,600	0.63	9	4.8%	-22	-8.2%	1.9%	1.7%	13	6	1.5%
41-0000	Sales and Related Occupations	241	\$28,800	1.14	21	4.1%	-33	-2.5%	0.9%	1.2%	82	16	0.6%
43-0000	Office and Administrative Support Occupations	249	\$32,100	0.77	37	4.3%	-18	-1.4%	1.1%	1.3%	57	10	0.4%
45-0000	Farming, Fishing, and Forestry Occupations	28	\$22,900	2.12	2	5.2%	18	22.7%	2.3%	1.5%	10	-1	-0.2%
47-0000	Construction and Extraction Occupations	101	\$47,900	1.28	16	6.4%	36	9.2%	3.1%	1.6%	21	26	2.3%
49-0000	Installation, Maintenance, and Repair Occupations	97	\$41,000	1.26	7	3.1%	28	6.9%	1.8%	1.4%	24	5	0.5%
51-0000	Production Occupations	169	\$34,100	1.28	21	4.6%	30	4.0%	1.8%	1.6%	39	-11	-0.7%
53-0000	Transportation and Material Moving Occupations	198	\$31,200	1.46	18	5.1%	-32	-2.9%	1.6%	1.9%	44	14	0.7%
00-0000	Total - All Occupations	2,016	\$38,800	1.00	n/a	n/a	39	0.4%	1.4%	1.5%	524	128	0.6%

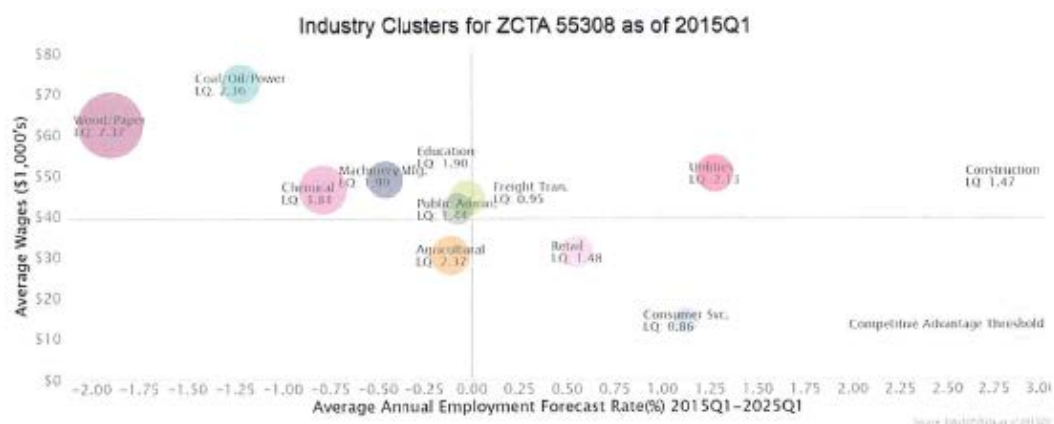
Source: [JobsEQ®](#)  
Note: Figures may not sum due to rounding.  
1. Occupation wages are as of 2013  
Occupation employment data are estimated via industry employment data and the estimated industry/occupation mix. Industry employment data are derived from the Quarterly Census of Employment and Wages, provided by the Bureau of Labor Statistics and currently updated through 2014Q3, imputed where necessary with preliminary estimates updated to 2015Q1. Wages by occupation are as of 2013 provided by the BLS and imputed where necessary. Forecast employment growth uses national projections from the Bureau of Labor Statistics adapted for regional growth patterns.

Source: JobsEQ®, <http://www.chmuraecon.com/jobseq>  
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## Industry Clusters

A cluster is a geographic concentration of interrelated industries or occupations. The industry cluster in ZCTA 55308 with the highest relative concentration is Wood/Paper with a location quotient of 7.37. This cluster employs 123 workers in the region with an average wage of \$62,300. Employment in the Wood/Paper cluster is projected to contract in the region about 1.9% per year over the next ten years.

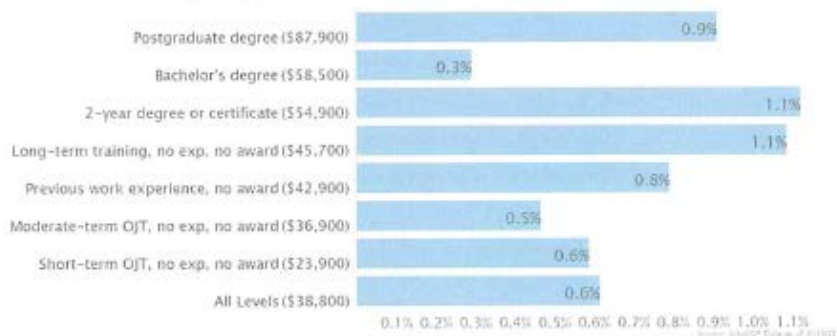


Location quotient and average wage data are derived from the Quarterly Census of Employment and Wages, provided by the Bureau of Labor Statistics, imputed where necessary, and updated through 2014Q3 with preliminary estimates updated to 2015Q1. Forecast employment growth uses national projections from the Bureau of Labor Statistics adapted for regional growth patterns.

## Education Levels

Expected growth rates for occupations vary by the education and training required. While all employment in ZCTA 55308 is projected to grow 0.6% over the next ten years, occupations typically requiring a postgraduate degree are expected to grow 0.9% per year, those requiring a bachelor's degree are forecast to grow 0.3% per year, and occupations typically needing a 2-year degree or certificate are expected to grow 1.1% per year.

### Annual Average Projected Job Growth by Training Required for ZCTA 55308



Employment by occupation data are estimates as of 2015Q1. Education levels of occupations are based on ELS assignments. Forecast employment growth uses national projections from the Bureau of Labor Statistics adapted for regional growth patterns.

Source: JobsEQ®, <http://www.chmuraecon.com/jobseq>  
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Northern States Power Company  
21941

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## **EXHIBIT 2**

Legal Description

(Page 52)



That part of the West Half, the West Half of the Northeast Quarter, and the West Half of the Southeast Quarter, ALL in Section 36, Township 34 North, Range 29 West, Sherburne County, Minnesota, described as follows:

Beginning at the northwest corner of said Northeast Quarter of Section 36; thence South 89 degrees 54 minutes 16 seconds East 250.23 feet along the north line of said Northeast Quarter of Section 36 to the south line of the railroad right of way; thence South 48 degrees 07 minutes 20 seconds East 1450.81 feet along the south line of the railroad right of way to the east line of said West Half of the Northeast Quarter of Section 36; thence South 00 degrees 02 minutes 38 seconds West 1668.03 feet along said east line of the West Half of the Northeast Quarter of Section 36 to the Northeast corner of the West Half of the Southeast Quarter; thence South 00 degrees 02 minutes 22 seconds West 2513.63 feet along the east line of the West Half of the Southeast Quarter of said Section 36; thence North 89 degrees 52 minutes 00 seconds West 2725.11 feet ; thence North 44 degrees 31 minutes 18 seconds West 168.41 feet; thence North 32 degrees 11 minutes 31 seconds West 175.23 feet; thence North 25 degrees 54 minutes 16 seconds West 159.35 feet; thence North 07 degrees 29 minutes 54 seconds West 232.36 feet; thence North 01 degrees 31 minutes 19 seconds West 143.02 feet; thence North 10 degrees 37 minutes 47 seconds West 185.93 feet; thence North 00 degrees 04 minutes 08 seconds East 2847.31 feet; thence North 17 degrees 52 minutes 04 seconds East 65.39 feet; thence North 06 degrees 48 minutes 22 seconds East 40.55 feet; thence North 00 degrees 13 minutes 15 seconds East 1229.91 feet to the north line of the Northwest Quarter of said Section 36; thence South 89 degrees 53 minutes 26 seconds East 1714.10 feet along the north line of said Northwest Quarter of Section 36 to the point of beginning.

Containing 348.30 acres, more or less.

## **CONTINGENT AND LIMITING CONDITIONS**

(Pages 54-56)

## **CONTINGENT AND LIMITING CONDITIONS**

The value estimates and conclusions in the appraisal are made subject to these assumptions and conditions:

1. No title search has been made and the reader should consult an appropriate attorney or title insurance company for accurate ownership data. Title to the property is assumed to be good and marketable unless otherwise stated.
2. The legal description, furnished or otherwise, is assumed to be correct. No responsibility is assumed for the legal description or for matters including legal or title considerations.
3. The information contained in this report is not guaranteed, but it has been gathered from reliable sources. The appraiser(s) certify that, to the best of their knowledge and belief, the statements, information and materials contained in the appraisal are correct.
4. All value estimates in this report assume stable soil and any necessary soil corrections are to be made at the seller's expense, unless otherwise noted.
5. The site plan, if any, in this report is included to assist the reader in visualizing the property, but we assume no responsibility for its accuracy.
6. The market value herein assigned is based on conditions which were applicable as of the effective date of appraisal, unless otherwise noted.
7. The appraiser(s) that signed this report shall not be required to prepare for, or appear in court, or before any board or governmental body by the reason of the completion of this assignment without predetermined arrangements and agreements.
8. Surveys, plans and sketches may have been provided in this report. They may not be complete or be drawn exactly to scale.
9. Possession of this report, or a copy thereof, does not carry with it the right of publication. It may not be used for any purpose by any person, other than the party to whom it is addressed, without the written consent of the appraiser, and in any event only with properly written qualification and only in its entirety.
10. Information in the appraisal relating to comparable market data is more fully documented in the confidential file in the office of the appraiser.

## **CONTINGENT AND LIMITING CONDITIONS**

(Continued)

11. All studies and field notes will be secured in our files for future reference.
12. It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless a non-conformity has been stated, defined and considered in the appraisal report. And, it is assumed that the utilization of the land and any improvements is within the boundaries or property lines of the property described and that there is no encroachment or trespass unless noted within the report.
13. The distribution of the total valuation in this report between land and any improvements, if stated, applies only under the reported highest and best use of the property. The allocations of value for land and improvements must not be used in conjunction with any other appraisal and are invalid if so used.
14. It is assumed that there is full compliance with all applicable federal, state and local environmental regulations and laws unless non-compliance is stated, defined and considered in the appraisal report.
15. The appraiser was not aware of the presence of soil contamination on the subject property, unless otherwise noted in this appraisal report. The effect upon market value, due to contamination was not considered in this appraisal, unless otherwise stated.
16. The appraiser was not aware of the presence of asbestos or other toxic contaminants in any building(s) located on the site, unless otherwise noted in this report. The effect upon market value, due to contamination was not considered in this appraisal, unless otherwise stated.
17. Unless otherwise stated in this report, the existence of hazardous material, which may or may not be present on the property, was not observed by the appraiser. The appraiser has no knowledge of the existence of such materials on or in the property. The appraiser, however, is not qualified to detect such substances. The value estimate is predicated on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in this field, if desired.
18. The value stated in this report is fee simple, assuming responsible owner-ship and management, unless otherwise indicated. This appraisal recognizes that available financing is a major consideration by typical purchasers of real estate in the market, and the appraisal assumes that financing is or was made available to purchasers of property described herein.

**CONTINGENT AND LIMITING CONDITIONS**  
(Continued)

19. The appraiser has neither present nor contemplated interest in the property appraised and employment is not contingent upon the value reported.
20. Unless otherwise stated in this report, the appraisers have not made a survey or analysis to determine whether any buildings on the property are in compliance with "The Americans with Disabilities Act" (ADA). If the property is not in compliance with the ADA, it could have a negative effect on the value of the property.
21. The property is appraised free and clear of any or all liens or encumbrances unless otherwise stated.



## **APPRAISER QUALIFICATIONS**

(Pages 58-60)

## **QUALIFICATIONS OF**

**RANDY J. DEONES**

### **PROFESSIONAL AFFILIATIONS**

#### **Practicing Affiliate, Appraisal Institute**

Certified General Real Property Appraiser, Minnesota License No. 40264161

### **BUSINESS EXPERIENCE**

Patchin Messner Valuation Counselors, June 2011 to Present

Licensed Oregon Real Estate Broker, 2008 to 2011

Land Developer, Self-employed, 2003 – Present

Metron & Associates - Licensed Land Surveyor, Washington State; License No. 35970 1995-2005

### **EDUCATIONAL BACKGROUND**

Bachelor of Science Degree in Resource Management, University of Wisconsin, graduated 1988

### **SPECIALIZED REAL ESTATE TRAINING**

**General Appraiser Income Approach - 2013**

**General Appraiser Market Analysis and Highest and Best Use - 2012**

**Statistics Modeling and Finance – 2012**

**General Appraiser Sales Comparison Approach – 2012**

**Business Practices and Ethics - 2012**

**Basic Appraisal Principles - 2011**

**Basic Appraisal Procedures – 2011**

**2010-2011 National USPAP**

**Oregon State and Federal Real Estate Broker Exam - 2009**

**Oregon Registered Appraisal Assistant Qualification – 2008**

**Wetland Soils Course, Everett Community College - 1998**

#### **SEMINARS ATTENDED:**

L.S.A.W. Conferences 1995-2005

Real Estate Broker, Continuing Education

1031 Exchanges

Legal Lot Status

Tax Planning

Investment Evaluation

### **APPRAISAL EXPERIENCE**

Preparation of appraisals for condemnation, estate planning, property tax appeal, acquisition/disposal and special benefit purposes. Properties appraised include historic building, office buildings industrial properties, retail properties, and development land. Specialize in litigation valuation of development land and commercial, industrial and investment properties.

### **APPRAISAL CLIENTS**

100 University Family Limited Partnership

Assured Financial, LLC

Campbell, Knutson, P.A.

Carver County

Chisago County Public Works

Dakota County

Great River Energy

Estate of Lawrence An-Shih-Liu

Felhaber Larson Fenlon & Vogt

Hennepin County

Iverson Reuvers

Leonard, Street and Deinard

Ramsey County

Scott County Public Works

Siegel Brill

Sjoberg & Tebelius

SRF Consulting Group, Inc.

Walmart Realty

Washington County

Cities: Burnsville, Carver, Chanhassen, Chaska, Eden Prairie, Farmington, Lino Lakes, Rosemount, Victoria

## QUALIFICATIONS OF

JASON L. MESSNER

### PROFESSIONAL AFFILIATIONS

#### **MAI Member, Appraisal Institute**

Certified General Real Property Appraiser, Minnesota License No. 4000836  
Member, Minneapolis Area Association of Realtors  
Member (No. 6591), International Right of Way Association

### BUSINESS EXPERIENCE

Patchin Messner Valuation Counselors, President/Principal, 2001 to Present  
Patchin Messner Appraisals, Inc., Principal, 1995 to 2000  
Peter J. Patchin & Associates, Inc., Associate Appraiser, 1986-1994  
Century 21 Granite City Real Estate, Residential Salesperson, 1985

### EDUCATIONAL BACKGROUND

Bachelor of Science Degree, St. Cloud State University, majored in Real Estate, graduated Magna Cum Laude, 1986  
Associate in Arts Degree in Business Administration, Willmar Community College, graduated with honors, 1984

### SPECIALIZED REAL ESTATE TRAINING

**Basic Valuation Procedures**, American Institute of Real Estate Appraisers, 1986  
**Real Estate Appraisal Principles** American Institute of Real Estate Appraiser, 1986  
**Capitalization Theory and Techniques (Part A)**, A.I.R.E.A., Minneapolis, MN, 1987  
**Standards of Professional Practice**, A.I.R.E.A., Minneapolis, MN, 1988; Appraisal Institute, Minneapolis, MN, 1994  
**Capitalization Theory and Techniques (Part B)**, A.I.R.E.A., Minneapolis, MN, 1989  
**Case Studies in Real Estate Valuation**, American Institute of Real Estate Appraisers, Mpls., MN, 1990  
**Report Writing & Valuation Analysis**, Appraisal Institute, Minneapolis, MN, 1991

### SEMINARS ATTENDED

#### Appraisal Institute

Condemnation: Legal Rules and Appraisal Practices  
Special-Purpose Properties: The Challenges of Real Estate Appraising in Limited Markets  
New Industrial Valuation  
The Road Less Traveled: Special Purpose Properties  
National Uniform Standards of Professional Appraisal Practice Update  
The Appraiser as Expert Witness  
The Appraisal of Local Retail Properties  
Valuation of Detrimental Conditions in Real Estate  
Analyzing Distressed Real Estate  
Uniform Appraisal Standards for Federal Land Acquisitions (Yellow Book)  
Fundamentals of Separating Real Property, Personal Property, and Intangible Business Assets  
Appraising the Appraisal: Appraisal Review-General  
Complex Litigation Appraisal Case Studies  
Real Estate Valuation in Condemnation Appraising in Minnesota

### APPRAISAL EXPERIENCE

Preparation of appraisals for condemnation, tax appeal, litigation, financing, debt restructuring, acquisition/disposal, and special assessment appeal. Properties appraised include: office buildings, warehouses, service stations, manufacturing plants, medical and veterinary clinics, shopping centers, restaurants, apartment buildings, subsidized housing, research and redevelopment buildings, grain elevators, flour mills, special-purpose properties, lands, air rights, avigation easements, utility easements, highway easements, and environmentally impaired properties. Specialize in litigation valuation of commercial, industrial, development land and investment properties.

## **QUALIFICATIONS OF**

### **JASON L. MESSNER (CONTINUED)**

#### **RELATED EXPERIENCE**

Participant in the writing of The Effect of Contamination on The Market Value of Property, Federal Highway Admin.; Office of Right-of-Way, Washington, DC, 1993

Faculty participant at the Hazardous Waste Litigation seminar, Minnesota Institute of Legal Education, 1995

Adjunct lecturer on environmental appraisal issues, University of St. Thomas, Mpls., MN, 1996 and 2002

Faculty participant at the Annual Right-of-Way Professionals Conference, Minnesota Department of Transportation, 2004, 2005 and 2007

Metro/Minnesota Chapter of the Appraisal Institute; Education Coordinator – 1997 through 2001, Secretary – 2001, Vice President – 2002, President – 2003, Region III Representative - 2008 through 2011. National Board of Directors of the Appraisal Institute, 2012 through 2016.

#### **APPRAISAL CLIENTS**

Alliant Techsystems, Inc.	Medtronic, Inc.
Bank of America	Metropolitan Airports Commission
B.P. Oil Pipeline Company	Mpls. Community Planning and Economic Development (CPED)
Burlington Northern Railroad Company	Minnesota Department of Transportation
Campbell Soup Company	3M Corporation
Ceridian Corporation	Northwest Airlines, Inc.
CMC Heartland Partners	Northwestern Mutual Life Insurance Co.
Deluxe Check Corporation	Old Dutch Foods
Equitable Life Assurance Co.	Philips Lighting
Exxon Mobil Corporation	Resolution Trust Corporation
Farm Credit Services	Reynolds Metals Company
First Bank Systems	Soo Line Railroad Company
Great River Energy	Unisys Corporation
Honeywell, Inc.	University of Minnesota
IBM Corporation	U.S. Environmental Protection Agency
IDS Financial Services	U.S. Fish & Wildlife
Internal Revenue Service	U.S. Postal Service
Jostens, Inc.	Wells Fargo
LaSalle National Bank	Williams Pipeline Company
Lockheed Martin	Xcel Energy
Louisville Regional Airport Authority	

Other clients include various Cities (Andover, Belle Plaine, Bloomington, Brooklyn Center, Burnsville, Cambridge, Chanhassen, Chaska, Cokato, Columbia Heights, Crystal, Duluth, Elk River, Farmington, Jordan, Lake City, Lino Lakes, Marshall, Medina, Minneapolis, Minnetonka, New Brighton, New Prague, Osseo, Prior Lake, Ramsey, Richfield, Robbinsdale, Rochester, St. Paul, St. Louis Park, Savage, Shakopee and Victoria), and Counties (Benton, Brown, Carver, Clay, Dakota, Douglas, Goodhue, Hennepin, Jackson, McLeod, Murray, Nicollet, Otter Tail, Ramsey, Scott, Sherburne, Stearns, Steele and Washington), in the State of Minnesota.

#### **COURT EXPERIENCE**

Qualified as an expert witness in Minnesota Tax Court, U. S. District Court (Minnesota), Anoka, Carver, Dakota, Goodhue, Hennepin, Isanti, Rice, Scott, Wabasha, Washington and Wright County District Court and various Commission Hearings.

**Attachment B - Estimated Net Gain from Sale of 348 Acres Using September 3, 2019,  
Appraisal**

<b>Line No.</b>	<b>Description</b>	<b>Amount</b>	<b>Notes</b>
1.	Expected Sale Proceeds	\$5,100,000	Land Value derived from professional appraisal dated September 3, 2019
2.	Book Value	\$155,223	Taken from Xcel's property records
3.	Transaction Fees	\$75,000	Estimated
4.	Net Gain	\$4,869,777	Line 1 – Lines 2 and 3
5.	NSP Minnesota/NSP Wisconsin Allocation Factor	0.836787	
6.	NSP Minnesota Allocated Amount	\$4,074,966	Line 4 x Line 5
7.	NSPM Minnesota Allocation Factor	.869631	
8.	Minnesota Jurisdiction Amount	\$3,543,717	Line 6 x Line 7



## Oppprtunity Cost Comparison for 348 Acre Parcel Sale - Ratepayer Perspective

### *Scenario A - Compares sale of property in July 2020 versus Elk River Technologies exercising option to buy in July 2023*

Line No.	Opportunity Cost Calculation	Annual Discount Rate
		10.00%
Year	Opportunity Cost Calculation	
1.	Jul-20	\$ 3,543,717
2.	12 months of Carrying Costs @10%	\$ 354,372
3.	Jul-21	\$ 3,898,089
4.	12 months of Carrying Costs @10%	\$ 389,809
5.	Jul-22	\$ 4,287,898
6.	12 months of Carrying Costs @10%	\$ 428,790
7.	Jul-23	\$ 4,716,687
8.	MN Jurisdiction	100%
9.	MN Ratepayer Opportunity Cost	\$ 4,716,687
10.	Xcel Estimated Benefit	\$ 5,435,727
11.	Net Ratepayer Benefit	\$ 719,040

### *Scenario B -Compares sale of property in July 2020 versus Elk River Technologies exercising option to buy in July 2024*

Line No.	Opportunity Cost Calculation	Annual Discount Rate
		10.00%
Year	Opportunity Cost Calculation	
1.	Jul-20	\$ 3,543,717
2.	12 months of Carrying Costs @10%	\$ 354,372
3.	Jul-21	\$ 3,898,089
4.	12 months of Carrying Costs @10%	\$ 389,809
5.	Jul-22	\$ 4,287,898
6.	12 months of Carrying Costs @10%	\$ 428,790
7.	Jul-23	\$ 4,716,687
8.	12 months of Carrying Costs @10%	\$ 471,669
9.	Jul-24	\$ 5,188,356
10.	MN Jurisdiction	100%
11.	MN Ratepayer Opportunity Cost	\$ 5,188,356
12.	Xcel Estimated Benefit	\$ 5,435,727
13.	Net Ratepayer Benefit	\$ 247,371

**Scenario C - Compares sale of property in July 2020 versus Elk River Technologies deciding not exercise option to buy by July 2024. Xcel sells property to a third party for the same price agreed to in this proceeding in July 2025.**

Line No.	Opportunity Cost Calculation	Annual Discount Rate
		10.00%
	Year	Opportunity Cost Calculation
1.	Jul-20	\$ 3,543,717
2.	12 months of Carrying Costs @10%	\$ 354,372
3.	Jul-21	\$ 3,898,089
4.	12 months of Carrying Costs @10%	\$ 389,809
5.	Jul-22	\$ 4,287,898
6.	12 months of Carrying Costs @10%	\$ 428,790
7.	Jul-23	\$ 4,716,687
8.	12 months of Carrying Costs @10%	\$ 471,669
9.	Jul-24	\$ 5,188,356
10.	12 months of Carrying Costs @10%	\$ 518,836
	Jul-25	\$ 5,707,192
11.	MN Jurisdiction	100%
12.	MN Ratepayer Opportunity Cost	\$ 5,707,192
13.	Value of Option Payments	\$ 300,000
14.	Xcel Estimated Benefit	\$ 5,435,727
15.	Sub-total Benefits	\$ 5,735,727
15.	Net Ratepayer Benefit	\$ 28,535

## **CERTIFICATE OF SERVICE**

I, Sharon Ferguson, hereby certify that I have this day, served copies of the following document on the attached list of persons by electronic filing, certified mail, e-mail, or by depositing a true and correct copy thereof properly enveloped with postage paid in the United States Mail at St. Paul, Minnesota.

**Minnesota Department of Commerce**  
**Comments**

**Docket No. E002/PA-22-489**

Dated this **31<sup>st</sup>** day of **October 2022**

**/s/Sharon Ferguson**

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Alison C	Archer	aarcher@misoenergy.org	MISO	2985 Ames Crossing Rd  Eagan, MN 55121	Electronic Service	No	OFF_SL_22-489_PA-22-489
James J.	Bertrand	james.bertrand@stinson.com	STINSON LLP	50 S 6th St Ste 2600  Minneapolis, MN 55402	Electronic Service	No	OFF_SL_22-489_PA-22-489
John	Coffman	john@johncoffman.net	AARP	871 Tuxedo Blvd.  St, Louis, MO 63119-2044	Electronic Service	No	OFF_SL_22-489_PA-22-489
Generic Notice	Commerce Attorneys	commerce.attorneys@ag.state.mn.us	Office of the Attorney General-DOC	445 Minnesota Street Suite 1400  St. Paul, MN 55101	Electronic Service	Yes	OFF_SL_22-489_PA-22-489
Riley	Conlin	riley.conlin@stoel.com	Stoel Rives LLP	33 S. 6th Street Suite 4200 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_22-489_PA-22-489
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First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
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Michael	Hoppe	lu23@ibew23.org	Local Union 23, I.B.E.W.	445 Etna Street Ste. 61 St. Paul, MN 55106	Electronic Service	No	OFF_SL_22-489_PA-22-489
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Kavita	Maini	kmairi@wi.rr.com	KM Energy Consulting, LLC	961 N Lost Woods Rd  Oconomowoc, WI 53066	Electronic Service	No	OFF_SL_22-489_PA-22-489

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
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David	Moeller	dmoeller@allete.com	Minnesota Power	30 W Superior St  Duluth, MN 558022093	Electronic Service	No	OFF_SL_22-489_PA-22-489
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Carol A.	Overland	overland@legalelectric.org	Legaletric - Overland Law Office	1110 West Avenue  Red Wing, MN 55066	Electronic Service	No	OFF_SL_22-489_PA-22-489
Generic Notice	Residential Utilities Division	residential.utilities@ag.state.mn.us	Office of the Attorney General-RUD	1400 BRM Tower 445 Minnesota St St. Paul, MN 551012131	Electronic Service	Yes	OFF_SL_22-489_PA-22-489
Kevin	Reuther	kreuther@mncenter.org	MN Center for Environmental Advocacy	26 E Exchange St, Ste 206  St. Paul, MN 551011667	Electronic Service	No	OFF_SL_22-489_PA-22-489
Richard	Savelkoul	rsavelkoul@martinsquires.com	Martin & Squires, P.A.	332 Minnesota Street Ste W2750  St. Paul, MN 55101	Electronic Service	No	OFF_SL_22-489_PA-22-489
Christine	Schwartz	Regulatory.records@xcelenergy.com	Xcel Energy	414 Nicollet Mall FL 7  Minneapolis, MN 554011993	Electronic Service	No	OFF_SL_22-489_PA-22-489
Will	Seuffert	Will.Seuffert@state.mn.us	Public Utilities Commission	121 7th Pl E Ste 350  Saint Paul, MN 55101	Electronic Service	Yes	OFF_SL_22-489_PA-22-489



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