

Grant Project Guidance (Property to be conveyed to the DNR)

Circumstances can arise in grant projects that require additional information to proceed. The following are some situations that require additional information. The DNR must know what the property will look like at the time of closing between the grant recipient and landowner.

The project will be delivered to the Appraisal Management Unit to begin the Technical Review once all applicable information has been received.

Appraisal Instructions

Your written assignment instructions to the appraiser must be included as an addendum of the appraisal report. Specific appraisal instructions help guide the appraisal process and help the appraiser develop an appropriate scope of work. It also helps streamline the appraisal process by reducing communication errors and ultimately reducing time-consuming and costly revisions. An appraisal should not be ordered until the following elements are known and communicated to the appraiser. Instructions should include the following:

1. Rights to be acquired (i.e., fee, conservation easement)
2. Applicable appraisal standards (USPAP/UASFLA)
3. Total or partial acquisition
4. Identify acquisition (by legal description and/or by plat or reliable demarcation on a map)
5. Size of total contiguous ownership and area to be acquired or encumbered.
6. Purpose, intended use/user.
7. Hypothetical conditions/Extraordinary assumptions
8. Due date
9. Identification of existing and/or proposed **legal access** and **physical access**.
10. Leases, licensing agreements and contracts (i.e., farm and hunting leases, timber, CRP, etc.)
11. Building and/or site improvements

Acquisition Packet

The grant recipient must provide all applicable information to the Acquisition Project Manager. The packet addresses some of the items below.

Acreage

The acreage in the acquisition packet must match the appraisal. If a survey is conducted after a State Reviewed Appraisal (SRA) form is issued, and the acreage and/or legal description changes, the appraisal will need to be updated. The updated appraisal will need to be submitted to the technical reviewer for consideration.

Total Ownership

If a landowner owns additional property in the nearby area that is not part of the acquisition, the acquisition packet must identify the property. The appraiser must identify what is referred to as the “larger parcel”. Since determining what lands comprise the larger parcel is part of the appraisal process, the appraiser needs to know the full extent of the landowner’s ownership in the area. The additional acreage should be reported on the acquisition packet, and a legal description and map identifying the property should be an attachment.

Legal Description

The grant recipient must have a real estate professional review the full legal description for the property being acquired. When appropriate, the grant recipient shall have the full legal description reviewed by a surveyor.

Items included would be:

Current Deed/ownership of the property that includes a legal description.

If a survey has been conducted, please provide the survey for DNR surveyor review and all the necessary survey requirements (see separate surveyor report requirements).

The legal description of the larger ownership (if applicable), and the proposed acquisition, must be provided to the appraiser and included in the appraisal report.

If a survey is conducted after the appraisal review is complete, any change in acreage or legal description must be considered by the appraiser and reviewer. Changes could result in an amended State Reviewed Appraisal form.

Landowner Disclosure

Attachment E. states the grant recipient must obtain a completed copy of the most current Landowner’s Disclosure Form (attached) that contains all components of the form based on discussions with the landowner. This form addresses many of the items below and can assist the grant recipient in identifying any issues that need further research/review.

Landowner disclosure needs to be signed and anything identified on landowner disclosure should be explained on the disclosure. If there are any easements or agreements identified on the disclosure, copies should be given to the project manager to determine if they need to be given to the appraisal unit.

Conservation Easements

If the transaction involves a Conservation Easement valuation, the appraiser must assume a “hypothetical condition” in the after-valuation perspective, that the property is encumbered with the easement.

Conservation easement appraisals will be based on a Before and After Methodology. When the conservation easement encumbers only part of a larger ownership, the larger ownership acreage will need to be identified

and provided to the appraiser. In some instances, the total ownership and larger parcel acreage may require verification by a surveyor. This may occur after the appraiser determines the larger parcel.

Comparable sales in the after position should be properties similarly encumbered, if possible. The appraiser shall certify both the before and the after value on the current DNR Certification. The “substantially agreed upon” or final copy of the conservation easement must be provided to the appraiser. Changes in the document will require the appraiser be given an opportunity to consider and address any possible impact to the valuation.

Neighborhood Boundary or Trespass Concerns

When a trespass situation is identified/discovered, or there is a known boundary dispute, the grant recipient must address resolution. There are typically two paths to address this.

1. The appraiser can appraise “as is” and consider any market impact (must be resolved prior to DNR conveyance).
2. Alternatively, the landowner can resolve the trespass prior to grant recipient closing with the landowner; the appraiser would appraise as if the trespass does not exist (hypothetical condition). Some examples of trespasses commonly seen are tillage, fence line, structures.

Potentially Contaminated Property Appraisal or Environmental Nuisances

Attachment E. states that the grant recipient shall conduct an appropriate site assessment (attached) of the real property to determine whether the real property is used or has ever been used for the manufacture, use, storage, or disposal of any hazardous waste or toxic substance, pollutant or contaminants. If contamination is suspected, a Phase 1 review is required. If appropriate, based on the findings of the Phase 1, a Phase 2 review is required.

If there is significant trash/debris, landfills, drums, surface tanks, underground tanks, etc., that would indicate that further review is required, the grant recipient should have a Phase I conducted and submit the results to their appraiser for inclusion in the appraisal.

There are two options to address suspected contamination or environmental nuisance. The Appraiser should be directed to appraise the property in one of two ways:

1. Appraise the property as though the concern were removed prior to grant recipient closing with the landowner (hypothetical condition), which would require clean up prior to closing.
2. Appraise the property as is, relying on the findings and opinions of qualified specialists in environmental remediation and compliance cost estimations (must be cleaned up prior to DNR conveyance). All environmental reports and findings must be provided to the appraiser for consideration.
 - a. Appraiser must consider if the condition will result in stigma and affect the market value.
 - b. Copies of estimates provided by others should be included in the addendum of the report.

Improvements

Attachment E states that the grant recipient must inspect any buildings and other improvements. Potential asbestos containing materials should be reported, if suspected or applicable, and considered an environmental concern.

Pictures should also be provided of all structures and whether those structures have potential environmental concerns.

This information can guide the grant recipient in identifying what the property will look like upon closing. It is helpful to provide to the appraiser.

Buildings

If there are old, dilapidated buildings, the appraiser should be directed to appraise the property in one of two ways:

1. Appraise the property as though the structures were removed prior to grant recipient closing with the landowner (hypothetical condition), which would require clean up prior to closing.
2. Appraise the property as is and consider any market impact. If the appraiser determines any improvements are a safety hazard, a cost to cure will need to be obtained, considered, and included in the addendum of the report. The appraiser must rely on clean-up cost estimations, including asbestos cleanup, if applicable.

Septic/Well

All septic systems and wells on the property need to be identified. If they do not meet State standards, or will not be utilized, the appraiser should be directed to appraise the property in one of two ways:

1. Appraise the property as though they are properly abandoned/sealed (hypothetical condition) prior to grant recipient closing with the landowner, which would require completion prior to closing.
2. Appraise the property as is, relying on cost estimations to properly abandon/seal (these must be properly abandoned/sealed prior to DNR conveyance).

Encumbrances

Encumbrances on the property need to be considered by the appraiser and reported in the appraisal. A copy of the agreement and all supporting documents (i.e., maps) need to be attached. Some examples of these include conservation easements, flowage easements, access easements, drainage tile agreements, CRP contracts, agricultural leases, or other agreements.

The appraiser should be directed to appraise as follows:

1. Appraise the property as though the CRP contracts/easements/agreements are extinguished (hypothetical condition), which would be required to take place prior to the closing by grant recipient with the landowner. Under this scenario, they should be reported in the Property Information Packet (PIP); however, copies of CRP contracts/easements/agreements do NOT need to be included in the PIP.

2. Appraise the property as is, consider any market impact of easements/agreements (due to funding requirements, this may require additional appraisal scenarios). ALL copies of these CRP contracts/easements/agreements must be included in the PIP.

According to MN Statute 97A.056, Subd. 9 (a) states: Money appropriated from the outdoor heritage fund shall not be used to purchase any land in fee title or a permanent conservation easement if the state of Minnesota or a political subdivision of the state owns the land in fee or if the land is wholly or partially subject to a conservation easement. There are some exceptions to this paragraph.

If there are existing encumbrances where this paragraph does apply, the appraiser must value the whole and provide a “funding allocation” for the existing encumbered acres.

Farm Lease

If there is an active Farm Lease, there are two options as follows:

1. Provide copy of current farm lease and appraise “as is” taking the farm lease into consideration.
2. A hypothetical condition is used that the farm lease will be extinguished prior to closing. Documentation will be required before conveyance to the DNR to show the current farm lease was extinguished. New farm lease from partner will be given to the DNR at that point to do an assignment of lease or a CFA will be drafted with the DNR and the renter to account for any farming done after closing.

Aggregate (Sand or Gravel) Resources

State Standard Appraisals

If there is an aggregate resource with potential market value identified on the property, the appraiser should be directed to appraise the property in one of two ways:

1. Appraise the property as if there is no sand/gravel resource or potential for sand/gravel resource (extraordinary assumption). This will result in the following action:

Prior to appraising the property, the landowner will sign a waiver indicating they understand that the appraisal does not reflect any possible value related to the sand/gravel resource. Thus, they are not being compensated for this resource value, if any. If the appraisal is ordered to **Federal Standards (UASFLA)**, a gravel waiver is not permitted, the appraiser must value according to number 2 below.

2. Appraise the property as is, relying on the estimations, findings and opinions of qualified specialists in sand/gravel resource assessment.
 - a. Appraiser must consider the quality, quantity, and market demand for the resource.
 - b. Copies of estimates and reports provided by others should be included in the addendum of the report.

Mineral Resources

Mineral rights may be granted with or without surface ownership. In Minnesota, the severance of mineral rights is common. In most real estate transactions, the ownership of the mineral rights is not significantly relevant to the appraisal problem because there are not proven, or probable reserves located on the parcel. However, if the landowner is aware of or is made aware of a mineral resource value, the grant recipient should seek further direction from the AMU before proceeding.

Hypothetical Conditions

Any hypothetical condition developed as a part of the appraisal project must be discussed with the Appraisal Unit Supervisor, and preapproved, before they are used in the final report. There are only two exceptions to this rule:

1. The property must be valued as though the state is purchasing it directly from the landowner. The appraiser must include this as a “hypothetical condition” in the appraisal.
2. If the transaction involves a Conservation Easement valuation, the appraiser must use this “hypothetical condition” in the after-valuation perspective – that the property is encumbered with the easement.

Extraordinary Assumptions

Any extraordinary assumption developed as a part of the appraisal project must be discussed with the Appraisal Unit Supervisor, and preapproved, before they are used in the final report.

Access

The issue of legal access needs to be addressed from the valuation and appraisal standpoint. Whether or not a property has legal access **may have** an effect on value. The importance of clearly determining whether a parcel has legal access cannot be over-emphasized. The appraiser must be accurately informed regarding the legal status of access.

If the property will be valued with legal access, and does not currently have this access, the following must be included in the Appraisal and Acquisition Packet.

1. Hypothetical condition of legal access approved by the Appraisal Unit Supervisor (**the hypothetical condition must be made true prior to the grant recipient closing with the landowner**)
2. Legal description and map defining access location.

Please see DNR Supplemental Appraisal and Appraisal Review Guidelines VIII.R for additional guidance on access.

Appraisal Amendment

The appraiser must review, before closing, any changes in the legal description or acreage (or conservation easement, if applicable) to establish if such changes result in any difference to the appraiser’s opinion of value.

When subject to survey, the grant recipient must submit the survey, legal description, and updated appraisal for final review by the DNR technical reviewer. All changes should be submitted through the DNR Project Manager. The Appraisal can be submitted directly to the AMU through the encryption server.

Confidential Data

Grant Appraisals will be considered confidential (protected non-public data) by the DNR. Appraisal data that is protected non-public shall only be released to the grant recipient and DNR Grant Coordinator. This data shall not be released to any other individual outside of the Lands and Minerals Appraisal Management Unit (AMU). The data shall only be transferred through the State encrypted email server. Please contact the AMU for encrypted email instructions.

DNR LANDOWNER DISCLOSURE STATEMENT

TO BE COMPLETED WITH THE LANDOWNER

Project Name	Project No:	County:
Owner's Full Name	Telephone Number	

Attach additional pages if additional space is required.

1. When did you acquire the property: _____
2. Does anyone else have an ownership interest in the property? (if yes, provide full legal names, addresses and phone numbers of all parties below)..... ☐ Yes ☐ No
3. Is any person with an ownership interest in this property a current DNR employee?..... ☐ Yes ☐ No
4. Do you have any mortgages on the property? (if yes, please provide information below)..... ☐ Yes ☐ No
5. Is the subject property listed for sale? ☐ Yes ☐ No If yes, please list the realtor: _____ Telephone number: (____) _____
6. Has the subject property been listed in the past 12 months?..... ☐ Yes ☐ No
7. Has the land been surveyed? ☐ Yes ☐ No By Whom: _____ Is a copy available? ☐ Yes ☐ No
8. Are you aware of any property markers on the property?..... ☐ Yes ☐ No
9. To your knowledge are there any neighborhood boundaries or trespass concerns? (if yes, please provide information below)..... ☐ Yes ☐ No
10. Does the property have any wind or solar leases or easements on it? (if yes provide information below) ☐ Yes ☐ No
11. To your knowledge are there any other easements? (if yes, please provide information below) ☐ Yes ☐ No
12. Have you given permission to anyone to use your land (i.e. hunting)? (if yes, please provide information below) ☐ Yes ☐ No
13. Are there any shared driveways? (if yes, please provide information below) ☐ Yes ☐ No
14. Are there any leases, agricultural leases, CRP or other agreements? (If yes, provide copies) ☐ Yes ☐ No
15. To your knowledge, does the property fail to conform to current zoning? (if yes, please provide information below)..... ☐ Yes ☐ No
16. Are you aware of any proposed zoning changes? (if yes, please provide information below)..... ☐ Yes ☐ No
17. Are there any structures or improvements included in the acquisition? (if yes, please provide information below)..... ☐ Yes ☐ No
18. Are there any problems or defects with any of these items? (if yes, please provide information below)..... ☐ Yes ☐ No
19. Were there any previous structures on the property? (if yes, please provide information below)..... ☐ Yes ☐ No
20. Are you aware of any gravel reserves on the property? (if yes, please provide information below)..... ☐ Yes ☐ No
21. Are there any buried storage tanks, debris or waste on the property? (if yes, please provide information below)..... ☐ Yes ☐ No
22. Are there any environmental concerns, hazardous or toxic substances or wastes in, on or affecting this property?..... ☐ Yes ☐ No
(if yes, please provide information below)
23. Are you aware of any invasive species located on the property? (i.e. thistle, buckthorn)? (if yes, please provide information below)..... ☐ Yes ☐ No
24. Are you aware of any human remains, burials or cemeteries located on the property? (if yes, please provide information below)..... ☐ Yes ☐ No
25. Are you aware of anything else that may materially and adversely affect the property? (if yes, please provide information below)..... ☐ Yes ☐ No
26. Have drainage tile or systems been installed on the property? (if yes, attach written agreement - if unwritten agreement, describe below) ☐ Yes ☐ No
27. Is there a private well? ☐ Yes #____ ☐ No In use? ☐ Yes ☐ No Abandoned? ☐ Yes ☐ No Sealed? ☐ Yes ☐ No (attach certificate)
28. Is there a septic system? ☐ Yes ☐ No In use? ☐ Yes ☐ No Abandoned? ☐ Yes ☐ No
29. Are you aware of any methamphetamine production that has occurred on the property? (if yes, please provide information below)..... ☐ Yes ☐ No

Comments:
Landowner Signature or Name, Title, and Signature of Staff Completing Form: Date:

INITIAL SITE ASSESSMENT CHECKLIST (Acquisition Packet Supplement)

Project:	Parcel:	County:
Owner Name:		Telephone Number (including area code):
Description:		

CHECKLIST TO ASSESS ENVIRONMENTAL OR TRESPASS POTENTIAL (check if applicable)

1. LAND USE HISTORY & DEVELOPMENT:

Setting: Rural Urban Suburban (check one)

Current Land Uses

Residential
Agricultural
Gravel/Mining

Commercial
Dump/Landfill
Woods

Feed Lots
Industrial
Wetland
Other _____

Previous Land Uses

Residential
Agricultural
Gravel/Mining

Commercial
Dump/Landfill
Woods

Feed Lots
Industrial
Wetland
Other _____

Adjacent Land Uses

Residential
Agricultural
Gravel/Mining

Commercial
Dump/Landfill
Woods

Feed Lots
Industrial
Wetland
Other _____

2. INSPECTION: (please provide details and photos on a separate sheet)

Wells
Septic
Underground Tanks
Landfills
Possible trespass
Surface Staining
Vegetation Damage

Transformers
Sumps
Drums
Surface tanks
Power and/or utility lines
Oil Sheen
Other: _____

Ponds
Basins
Trash
Debris
Gravesites or cemeteries
Odors

Comments:

POTENTIAL ASBESTOS-CONTAINING MATERIALS (check applicable)

Sprayed textured ceilings
Sheet floor tile
Gravity Flow Furnace

Building materials
Pipe and duct wrap

Sprayed-on fireproofing
Acoustical tile ceilings

Comments:

3. INVASIVE SPECIES: (if invasive species were identified, please provide a map showing their location)

Invasive Species Located on Property: Yes No (if yes, please list in comment section below)

Map Showing Invasive Species Location Attached: Yes No

Pictures Attached: Yes No

Comments:

4. OPTIONAL REVIEW OF OUTSIDE RECORDS WHICH MAY INDICATE PAST LAND USE: (To be completed when checklist numbers 1 and 2 indicate a potential for environmental concerns).

(Land Titles, Business Licenses, Insurance Records, Fire Hazard Maps, Tank Permits, etc.)

5. OPTIONAL REVIEW OF REGULATORY AGENCY RECORD: (To be completed when checklist numbers 1 and 2 indicate a potential for contamination).

(Contact MPCA Site Assessment Unit, Program Development Section for this information. They will check their files to determine if there has been a release of a contaminant at or near the project location).

6. Resolution of environmental or trespass concerns. If #s 2 and/or 3 above are checked, how should these conditions be dealt with for purposes of the appraisal?

Site will be cleared by landowner before appraiser inspection.

Site will be cleared by landowner after appraiser inspection and before closing, therefore appraiser should receive special instructions to assume site is clear.

Site will not be cleared by landowner. Appraiser should appraise as is and consider any market impact.

CERTIFICATION

The undersigned, after conducting a field inspection and, if applicable, a record search for the subject property, believes to the best of my knowledge that:

There are no apparent environmental concerns and no apparent trespass; the project is considered cleared.

Environmental concerns, invasive species and/or a possible trespass exist, additional investigation is needed prior to appraisal.

Signed: _____

Date

Title

State of Minnesota
Department of Natural Resources