

Benefits and Damages Determination, Minnesota Statutes §103D.721

Clearwater Lake Aquatic Invasive Species Project

Project No. 17-2

Clearwater River Watershed District

Board of Managers

August 15, 2018

A. Purpose and Objectives

1. On November 15, 2017, by Resolution 17-11-3 of the Clearwater River Watershed District (“District”) Board of Managers (“Board”), the Clearwater Lake Aquatic Invasive Species Project was initiated as District Project No. 17-2 (“Project”).
2. By Resolution 18-05-2, adopted on May 16, 2018, the Board resolved to determine benefits and damages in lieu of appointing appraisers. This report determines benefits and damages to all lands affected by the Project as required by Minnesota Statutes §103D.721, subdivision 2.
3. By statute, this determination is to be made “with the assistance of the engineer.” The final report of the District engineer (“Engineer’s Report”), which the Board received and accepted on May 16, 2018, is incorporated herein and its factual and technical findings adopted.

B. Project Benefits

4. The purpose of the Project is to prevent the introduction of new aquatic invasive species (AIS) to Clearwater Lake and to manage and control existing AIS in Clearwater Lake.
5. The introduction of new AIS to and/or the lack of control of existing AIS in a waterbody has significant potential to harm its water quality, fishery and habitat, and to impair its beneficial uses including recreation. Impacts may be reflected in, among other things, riparian property value and local recreation and tourism economy.
6. By preventing the introduction of new AIS to Clearwater Lake and managing and/or controlling existing AIS in Clearwater Lake, the Project will enhance the lake’s health and protect the water quality, fishery, habitat and recreational use.
7. The Engineer’s Report cites two studies assessing the economic benefits of improved lake conditions. The first, “Lakeshore Property Values and Water Quality: Evidence from Property Sales in Mississippi Headwaters Region” (Krysel, Boyer, Parson, Welle 2003), finds that higher property values are positively correlated with good water clarity. The second, “Effects of Aquatic Invasive Species on Home Prices – Evidence from Wisconsin” (Johnson and Meder 2013), concludes that a healthy fishery adds eight percent to property value.
8. On the basis of this research, the Engineer’s Report finds a benefit to riparian parcels and to non-riparian parcels with deeded riparian access from a healthy fishery that is reflected in property value and equal to about eight percent of the taxable value of a riparian parcel.
9. The Engineer’s Report recommends, and the Board adopts, the finding that the parcels benefited by the Project include all parcels riparian to Clearwater Lake and the channel from August Lake tributary to it, as well as non-riparian parcels with deeded riparian access. The Engineer’s Report determines the taxable market value of all such property as \$132,885,000. The Report recommends that the Project benefit be found to be eight percent of this figure, or \$10,630,800.
10. The basis on which the Engineer’s Report relies to determine benefit is not extensive, but the Board finds the benefit recommendation to be reasonable. In particular, the cited work determines economic impact on the basis of a healthy fishery and/or water quality. This is a more limited scope of benefit than the Project benefit scope. As the Engineer’s Report notes, there also is a further benefit in avoided future infestation management costs that is not considered.

11. Further, in determining benefits for a predecessor water quality project, the Clearwater River Chain of Lakes Restoration Project, the retained appraisers investigated the effect of water quality on riparian property value through informal interviews with local assessors and reported (Appraiser's Report, February 3, 1982) that residential lots on lakes with high water quality sold at prices 35 to 60 percent higher than generally equivalent lots on Clearwater Lake, with its then-lower water quality.

12. Accordingly, the Board adopts the benefit finding recommended by the Engineer's Report. The Board finds a Project benefit of \$10,630,800 in total for parcels riparian to Clearwater Lake and its inlet channel, and non-riparian lots with deeded riparian access.

C. Allocation of Project Benefits

13. Project cost is assessed by levy against benefited parcels in proportion to Project benefit. Therefore, it is necessary to determine the Project benefit to each parcel benefited by the Project.

14. Although the basis of the benefit finding is impact on property market value, the research relied on is not sufficient to precisely specify a unique economic benefit value to each benefited parcel that is proportional to the assessed value of the parcel. Further, administering the construction levy, and subsequent operation and maintenance levies, in accordance with this parcel-specific calculation of benefits would be administratively impractical and create a further administrative cost to be borne by benefited property owners.

15. The Board finds that the limited benefit data and administrative simplicity are relevant considerations in its decision to assign benefits on the basis of reasonable approximation. In addition, the method of assigning benefits here follows somewhat closely the method judged by the appraisers to be appropriate for the predecessor water quality project, the Clearwater River Chain of Lakes Restoration Project, and adopted by the Board for that project.

16. Accordingly, the Board assigns benefits to seven defined classes of benefited parcels, as follows:

Class 1: Single-family residential. The vast bulk of benefited parcels are single-family residential parcels, for either year-round or seasonal occupation. The Board finds that benefited parcels in this Class have, qualitatively, a similar assessed value, and that it is reasonable to assign a uniform benefit to them.

Benefit: 1 unit.

Class 2: Single-family residential, special. This Class includes select categories of residential property that tend to have a comparatively lower market value or are less sensitive to Project impact. Parcels in this Class include: (a) condominiums within a resort property that the county taxes individually; and (b) non-riparian lands with deeded riparian access.¹

Benefit: 0.25 units.

¹ This Class consists of the Maple Hill resort condominiums and the lots with deeded access within the Clearview Acres plat.

Class 3: Resorts. Resort properties are larger, in commercial use, and heavily dependent on the quality of Clearwater Lake and its beneficial use. The Board finds, accordingly, that they will obtain a qualitatively higher level of benefit than single-family properties. A formula will be used that is proportional to size and intensity of economic use, on the basis of “unit lots” and “unit pads” as reported by the county.²

Benefit: 1 unit, plus 0.25 units for each “unit lot” and 0.10 units for each “unit pad.”

Class 4: Camps. Similar to resorts, camps are larger properties subject to a commercial use that depends on lake quality.³

Benefit: 1 unit, plus 0.10 units for each camp unit.

Class 5: Public and lake access lands. Land held by the state, or a political subdivision of the state, for conservation, recreation or lake access purposes, is subject to assessment in the same manner as private lands. E.g., Minn. Statutes §§103D.721, subd. 3; 103D.725, subd. 2. Even though a public parcel in conservation or recreation use, or a parcel held for lake access, is not characterized by its market value, it obtains a benefit from the protection and improvement of lake water quality, habitat, fishery and recreational use.⁴

Benefit: 1 unit.

Class 6: Commercial, water-dependent. A parcel in private commercial use, where the riparian location is relevant to the business. The parcel may or may not be larger than a residential parcel, but the Board finds that the level of benefit from the Project will be greater than for a residential property.⁵

Benefit: 2 units.

Class 7: Exempt. This Class applies to unimproved parcels that are not physically or legally suitable for a principal use, or that are not legally subject to assessment. The District will rely on input from the land use authority and exercise its judgment in determining legal suitability for improvement.

Benefit: 0 units.

17. The proposed property classification and assigned units of benefit for each parcel benefited by the Project are set forth in Attachment A, with separate listing for parcels in Wright and Stearns Counties. The attachment is incorporated into this document.

² This Class consists of PBS Properties LLC; Clearwater Forest; BJ's; and Glendale.

³ This Class consists of Camp Friendship.

⁴ This Class consists of land held by the Minnesota Department of Natural Resources and by Stearns County for lake access and flood protection, and the parcel that affords riparian access to the Clearview Acres lots.

⁵ This Class consists of a parcel owned by S&S Equities that has a residence and a restaurant.

18. Because the Project benefit is substantially greater than its cost, the Board concludes that even with the variability of property values within a property Class, the Project benefit to each benefited parcel also exceeds the amount of Project cost assessed to it.

19. The Board finds that unless it is classified as Class 7 exempt, a parcel zoned and suited for residential use receives benefit and is to be assessed as Class 1 property whether or not it is improved, and whether or not it presently is subject to a different primary use not included within any of the above Classes. The Project will support value for such a parcel whether or not it is developed or presently in residential use, if it is suited to such use and may be improved in the future.

20. In administering the Project account, the Board, on the basis of relevant information, will consider adjusting parcel class (or, for Classes 3 and 4, units of benefit) for the purpose of prospective Project assessments. The following are guidelines for adjustments the Board will make:

- a. If a present lot of record is subdivided, each riparian buildable lot resulting from the subdivision will be assigned to its appropriate Class.
- b. If two or more lots of record are combined into a single buildable lot of record, the single lot will be assigned its appropriate Class.
- c. A lot in tax forfeit status will be assigned a zero unit of benefit.

In the future, the Board may adopt a more formal policy for adjustments.

21. By preventing new AIS introductions to Clearwater Lake and managing and/or controlling existing AIS in the Lake, the Project may limit infestations in downstream waterbodies, and therefore potentially benefit property riparian to those waterbodies. However, the assignment of value for this benefit is too speculative and the Board does not identify such property as benefited property.

D. Damages Determination

22. The Project does not require the acquisition of real property, easement rights or right-of-way. No damages are associated with this project.

E. Basic Water Management Portion

23. No part of Project cost will be paid and generally assessed as a basic water management portion within the meaning of Minnesota Statutes §103D.721, subdivision 4.

Robert Schiefelbein, President

Chris Uecker, Vice-President

Kathy Jonsrud, Treasurer

Paul DeGree, Secretary

Dale Homuth

Date: