

Section 5 Residential Property Value Impact

While it is challenging to quantify the added costs that Fredenberg Township would incur as a result of taking on the responsibility of both creating and administering a borrow pit ordinance and associated zoning, it is recognized that there will be added costs that accompany the added oversight, as stated in section 4 of this report. In the same fashion, while it is challenging to quantify the impact to the quality of life and reduced land and home values in areas impacted by the establishment of a new borrow pit, it is clear that such a change can decrease both. But to what extent?

Given the development of Fredenberg back to 1904, it is recognized that any number of homes, within proximity to borrow pits, may have been established following borrow pit CUP approval, and as such had a level of understanding of the downside to such a build site, however there are other existing homes that may or will be impacted, via a newly granted borrow Pit CUP application. In both cases the governmental authorities overseeing this process have a responsibility to those residents impacted by such decisions. In the case of existing borrow pits this may be more associated with inspections, enforcement and reclamation, as stated in section 6 of this report, but for new borrow pit locations, authorities have the obligation and control to determine the appropriateness of such a location based on their responsibility to protect residents in relation to both quality of life issues as well as economic hardship in the face of material decreases in the value and attractiveness of their homes.

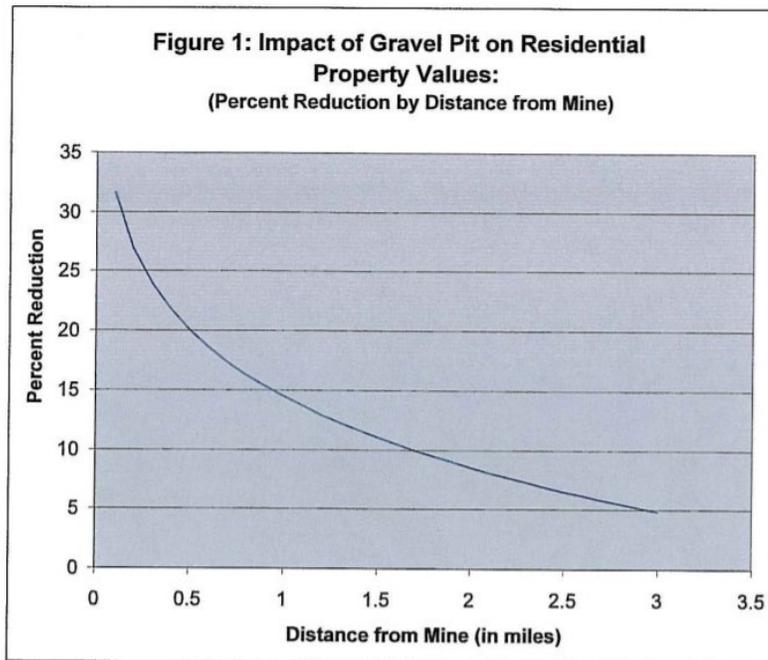
As a basis for consideration, the most recently submitted CUP for 6464 Fredenberg Lake Road was assessed in relationship to known property values for the 15 residents most directly impacted as identified by SLC. The value estimate for the 15 homes (all within ¼ mile of the proposed site), were profiled against three referenceable real-estate value-based sources. Then as a means to estimate lost property value, a loss in Real Estate Value factor was applied based on two sources 1) the work done by George A. Erickcek*, see attachment 5.1. In attachment [5.1](#) page 9 references other sources as well. Attachment [5.2](#), [5.3](#), and [5.4](#) are more articles supporting loss to property value. 2) An alternate source of information, as acquired by a study committee members conversation within the local real estate business who “indicated there could be a 10 – 15% detrimental impact due to a new borrow pit”

For just this specific example the resulting economic impact reflects a reduction of wealth in the range of \$500,000 to \$1,200,000 when only considering a ¼ mile radius and 15 homes. As these studies point out, the economic impact on residential property values can be felt as far out as miles. As applied in the example of the 6464 Fredenberg CUP the impact does not even start to look at further reduced development or enhancement to the surrounding area, be that buildable properties within close proximately to the proposed site or homes beyond the SLC outlined ¼ mile.

Clearly, further analysis could be applied to better understand the broader financial impact as other referenceable sources have done but even with this basic application of readily available data it starts to showcase the significance of such decisions.

Resident Property Value Impact				
Property Owner / Address	Tax Base Value	Zillow	Realtor.com	Average
6514 FREDENBERG LAKE RD DULUTH MN 55803	504,900	658,078	660,000	607,659
6516 FREDENBERG LAKE ROAD DULUTH MN 55803	535,500	673,688	766,600	658,596
6520 Fredenberg Lake Rd Duluth 55803	397,200	547,087	594,400	512,896
6522 Fredenberg Lake Rd Duluth 55803	354,400	472,176	525,000	450,525
4843 Datka Rd Duluth 55803	66,000	66,000	66,000	66,000
4845 Miller Ln Duluth 55803	167,000	394,585	361,400	307,662
4928 MISTY BAY DR DULUTH MN 55803	537,100	462,294	890,500	629,965
6467 FREDENBERG LAKE RD DULUTH MN 55803	285,700	365,522	424,300	358,507
4929 FISH LAKE RD DULUTH MN 55803	217,700	271,312	304,200	264,404
4931 FISH LAKE RD DULUTH MN 55803	196,700	298,182	398,300	297,727
6407 OLSON DR DULUTH MN 55803	188,000	264,637	282,600	245,079
6427 Olson Dr Duluth 55803	36,300	71,381	71,381	59,687
6456 Olson Dr Duluth 55803	167,300	235,460	235,460	212,740
6412 OLSON DR DULUTH MN 55803	196,700	271,386	274,000	247,362
4829 Fish Lake Rd Duluth 55803	36,800	74,221	74,221	61,747
				4,980,557
			10 % loss	\$498,056
			25% loss	\$1,245,139

Figure 1 and Figure 2 are from attachment [5.1](#), An Assessment of the Economic Impact of the Proposed Stoneco Gravel Mine Operation on Richland Township, August 15, 2006, George A. Erickcek Senior Regional Analyst, W.E. Upjohn Institute for Employment Research



*Report by George A. Erickcek, Attachment 5.1, study refers to a 250-acre gravel mine