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State of Minnesota  
**HOUSE OF REPRESENTATIVES**

EIGHTY-FIFTH  
SESSION

**HOUSE FILE No. 1191**

February 19, 2007

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The bill was read for the first time and referred to the Committee on Finance

1.1 A bill for an act  
1.2 relating to real property; amending property appraisals requirements for  
1.3 Department of Transportation; reducing market value for certain properties;  
1.4 amending Minnesota Statutes 2006, sections 117.036, subdivisions 2, 3, by  
1.5 adding a subdivision; 273.11, by adding a subdivision.

1.6 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.7 Section 1. Minnesota Statutes 2006, section 117.036, is amended by adding a  
1.8 subdivision to read:

1.9 Subd. 1b. **Department of Transportation appraisal.** (a) If any publicly available  
1.10 final report, final project plan, or other final document produced by the Department of  
1.11 Transportation identifies property proposed to be acquired for a transportation project, the  
1.12 commissioner of transportation shall obtain at least one appraisal of each parcel of land that  
1.13 is or could be identified within the final report, final project plan, or other final document.  
1.14 The appraisal must be obtained in conjunction with the publication of the report, project  
1.15 plan, other document. To the extent that it is practicable, each appraisal must include only  
1.16 the portion of the property proposed to be acquired. In making the appraisal, the appraiser  
1.17 shall confer with one or more of the owners of the property, if reasonably possible.

1.18 (b) If the Department of Transportation obtains an appraisal more than 12 months  
1.19 before negotiation for direct purchase under subdivision 3, it must be replaced by an  
1.20 adjusted appraisal. The adjusted appraisal is equal to the appraised property value plus the  
1.21 increase in value from the quarter and year of the appraisal to the most recent quarter and  
1.22 year for which data is available, using the house price index for the state of Minnesota as  
1.23 published by the United States Department of Housing and Urban Development, Office  
1.24 of Federal Housing Enterprise Oversight. The adjusted appraisal must be used in lieu  
1.25 of the appraisal for the purposes of negotiation for direct purchase or eminent domain

2.1 proceedings. Nothing in this subdivision prevents a new appraisal from being obtained by  
2.2 the commissioner of transportation or the owner.

2.3 Sec. 2. Minnesota Statutes 2006, section 117.036, subdivision 2, is amended to read:

2.4 Subd. 2. **Appraisal.** (a) Before commencing an eminent domain proceeding under  
2.5 this chapter, the acquiring authority must obtain at least one appraisal for the property  
2.6 proposed to be acquired if one has not been obtained under subdivision 1b. In making the  
2.7 appraisal, the appraiser must confer with one or more of the owners of the property, if  
2.8 reasonably possible. Notwithstanding section 13.44, the acquiring authority must provide  
2.9 the owner with a copy of each appraisal and adjusted appraisal the acquiring authority has  
2.10 obtained for the property at the time an offer is made, but no later than 60 days before  
2.11 presenting a petition under section 117.055, and inform the owner of the right to obtain an  
2.12 appraisal under this section. Upon request, the acquiring authority must make available to  
2.13 the owner all appraisals of the property. If the acquiring authority is considering both a  
2.14 full and partial taking of the property, the acquiring authority shall obtain and provide the  
2.15 owner with appraisals for both types of takings.

2.16 (b) The owner may obtain an appraisal by a qualified appraiser of the property  
2.17 proposed to be acquired. The owner is entitled to reimbursement for the reasonable costs  
2.18 of the appraisal from the acquiring authority up to a maximum of \$1,500 for single family  
2.19 and two-family residential property and minimum damage acquisitions and \$5,000 for  
2.20 other types of property, provided that the owner submits to the acquiring authority the  
2.21 information necessary for reimbursement, including a copy of the owner's appraisal,  
2.22 at least five days before a condemnation commissioners' hearing. For purposes of this  
2.23 paragraph, a "minimum damage acquisition" means an interest in property that a qualified  
2.24 person with appraisal knowledge indicates can be acquired for a cost of \$10,000 or less.

2.25 (c) The acquiring authority must pay the reimbursement to the owner within 30  
2.26 days after receiving a copy of the appraisal and the reimbursement information. Upon  
2.27 agreement between the acquiring authority and the owner, the acquiring authority may pay  
2.28 the reimbursement directly to the appraiser.

2.29 Sec. 3. Minnesota Statutes 2006, section 117.036, subdivision 3, is amended to read:

2.30 Subd. 3. **Negotiation.** In addition to the appraisal requirements under subdivision 2,  
2.31 before commencing an eminent domain proceeding, the acquiring authority must make a  
2.32 good faith attempt to negotiate personally with the owner of the property in order to  
2.33 acquire the property by direct purchase instead of the use of eminent domain proceedings.  
2.34 In making this negotiation, the acquiring authority must consider (1) the appraisals in its

3.1 possession, including any appraisal obtained and furnished by the owner if available,  
3.2 but excluding any appraisal that was subsequently replaced by an adjusted appraisal  
3.3 under subdivision 1b, and (2) other information that may be relevant to a determination  
3.4 of damages under this chapter. If the acquiring authority is considering both a full and  
3.5 partial taking of the property, the acquiring authority must make a good-faith attempt to  
3.6 negotiate with respect to both types of takings.

3.7 Sec. 4. Minnesota Statutes 2006, section 273.11, is amended by adding a subdivision to  
3.8 read:

3.9 Subd. 24. Valuation of property; future transportation uses. (a) The  
3.10 commissioner of transportation shall notify the assessor of each county where the  
3.11 Department of Transportation has identified property proposed to be acquired for a  
3.12 transportation project as provided under section 117.036, subdivision 1b. The certification  
3.13 shall contain a detailed listing of the specific parcels of property, or portions of the parcels  
3.14 that may be acquired for the project or route, and the anticipated number of years before  
3.15 each of the parcels will be acquired. The Department of Transportation shall make the  
3.16 necessary information available to the assessor to ensure that the parcels have been  
3.17 properly identified.

3.18 (b) Based upon the certification under paragraph (a), the assessor shall establish the  
3.19 market value for tax purposes for each of the parcels of property as follows: (1) determine  
3.20 the estimated market value of the property in the same manner as other similar property;  
3.21 and (2) reduce the value in clause (1) by a percentage that is uniformly increased each  
3.22 year so that at the end of the number of years of the timeline for that specific parcel  
3.23 certified under paragraph (a), the property's market value for tax purposes will be equal  
3.24 to 50 percent of the estimated market value. If the property is subject to limited market  
3.25 value under subdivision 1a, the adjustment under clause (2) must be made to the property's  
3.26 limited market value.

3.27 (c) Capital gains on property sold pursuant to this section are exempt from income  
3.28 tax under chapter 290.