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## **Committee on Conservation & State Lands**

**Tuesday, October 2, 2007**

**1:00 PM–4:00 PM**

**216 Capitol**

# **REVISED**

# Committee Meeting Notice

## HOUSE OF REPRESENTATIVES

Speaker Marco Rubio

### Committee on Conservation & State Lands

**Start Date and Time:** Tuesday, October 02, 2007 01:00 pm

**End Date and Time:** Tuesday, October 02, 2007 04:00 pm

**Location:** 216 Capitol

**Duration:** 3.00 hrs

Presentation by:

Department of Environmental Protection on land management activities by Division of State Lands.

Update on Interim Project Report Land Acquisition, Capital Projects, and Long-term Land Management

Discussion of possible topics for upcoming committee meetings.

**NOTICE FINALIZED on 09/25/2007 16:17 by SIMS-DAVIS.LINDA**



# The Florida House of Representatives

Environment & Natural Resources Council

Committee on Conservation & State Lands

Marco Rubio  
Speaker

Will Kendrick  
Chair

## AGENDA

Tuesday, October 02, 2007  
1:00 P.M., Room 216 Capitol

1. Call to Order

2. Opening remarks by Chair

3. Introduction/Welcome:

Representative Robert Schenck

4. Presentation by:

Department of Environmental Protection, Division of State Lands

Deborah Poppell, Acting Director - Division of State Lands

Bill Torres, Bureau Chief - Bureau of Invasive Plant Management

Mike Bullock, Director - Division of Recreation and Parks

Jim Wood, Assistant Director - Office of Greenways & Trails

Ellen McCarron, Assistant Director - Office of Coastal/Aquatic Managed Areas

5. Interim Project Update

Land Acquisitions, Capitol Projects and Long-term Land Management

Leonard C. Zeiler, Staff Director

Steven L. Palmer, Senior Legislative Analyst

Larry Novey, Chief Legislative Analyst for OPPAGA

6. Topics/Issues for up-coming meetings

7. Adjournment

# COMMITTEE ON CONSERVATION & STATE LANDS



REP. WILL KENDRICK  
COMMITTEE CHAIR



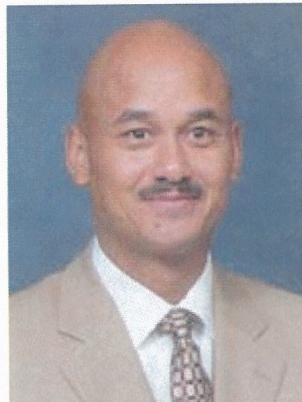
REP. FAYE CULP  
COMMITTEE VICE-CHAIR



REP. RICHARD MACHEK  
RANKING DEMOCRATIC MEMBER



REP. MARY BRANDENBURG



REP. CHARLES CHESTNUT



REP. RENE GARCIA



REP. DOUG HOLDER

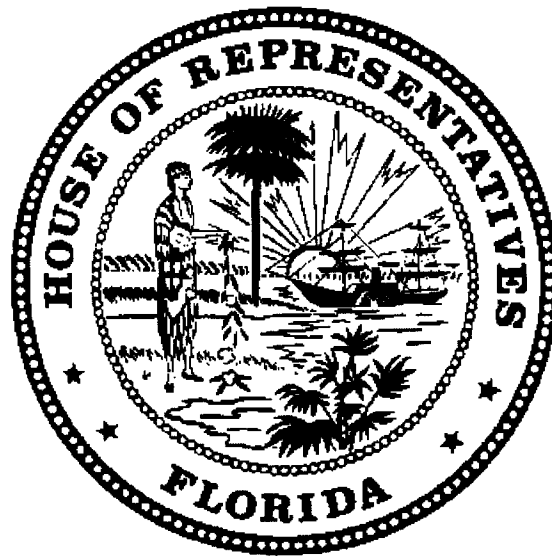


REP. ROBERT SCHENCK



REP WILL WEATHERFORD





# **ADDENDUM A**

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# State Land Management



Division of State Lands  
Division of Recreation & Parks  
Office of Greenways & Trails  
Division of Coastal & Aquatic Managed Areas

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## Division of State Lands

- o Land Acquisition
- o Land Administration
- o Land Management Oversight
- o Land Management Assistance



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## Land Acquisition

(Do we consider management cost up front?)

- o P2000 and Florida Forever both set aside management money for overall program
- o Individual projects:
  - Management Prospectus & Policy Statement during ARC evaluation
  - Prospectus summary & policy statement included in ARC reports to Board of Trustees (Feb. & Aug.)
  - Board of Trustees review prospectus & policy statement during initial acquisition of land within each project



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## Conservation Easement Ownerships

Source: Florida Natural Areas Inventory - March 2007

Government Entity	Acres Restricted
<b>State Board of Trustees</b>	<b>150,146</b>
Northwest Florida WMD	6,204
Suwannee River WMD	113,520
St. Johns River WMD	104,818
Southwest Florida WMD	69,117
South Florida WMD	20,529
Local Government	3,258
Federal Government	3,026
<b>Total</b>	<b>470,618</b>




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## Easement Monitoring (as of 9/07)

- 158,804 acres under 107 different easements
- 92,803 acres under 101 easements monitored by Division of State Lands using 4 consultants
  - Total cost \$354,730 (FYs 04-07)
  - 87 sites monitored more than once
  - 3 sites yet to be monitored (newly acquired)
  - 99% compliance with easement terms - owners very enthusiastic & supportive, including new owners
- 6 monitored by other entities:
  - 3 by St. Johns River Water Management District
  - 1 by Fla. Fish & Wildlife Conservation Comm.
  - 1 by DEP's Bureau of Mine Reclamation
  - 1 by U.S. National Park Service




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## Management Plan Reviewed by Acquisition & Restoration Council

- Plans for areas > 160 acres reviewed every 10 years
- Plans prepared pursuant to rule 18-2.021, F.A.C.
- Council Members:
  - Secretary, Department of Environmental Protection
  - Director, Div. Forestry, Dept. Agriculture & Consumer Services
  - Executive Director, Fish & Wildlife Conservation Commission
  - Director, Div. Historical Resources, Department of State
  - Secretary, Department of Community Affairs
  - 4 Governor appointees from scientific disciplines related to land, water or environmental sciences (4-year terms)




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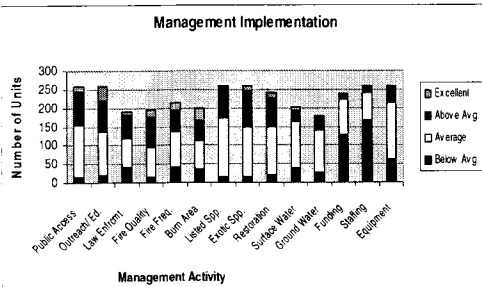
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## How Are We Doing?




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## Land Management Funding Assistance

- **CARL management funding**
  - ⦿ Interim management funds
  - ⦿ Long-term management funds
- **Invasive Plant Management**
  - ⦿ Upland invasive species
  - ⦿ Aquatic plant control




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## Interim Management Funding (1)

- Memorandum of Agreement – Feb. 1993
- \$4.5 million appropriated annually from Conservation & Recreation Lands (CARL)
- Primary purpose = start-up funds to open newly acquired areas for immediate public use
- Funds distributed to managers at time of acquisition closing on new property




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## Land Management Uniform Cost-Accounting Council

- o Established in 2001 (*s. 259.037, F.S.*)
- o Members:
  - Dept. Environ. Protection's Divs. State Lands and Recreation & Parks, and Offices Greenways & Trails and Coastal & Aquatic Managed Areas
  - Div. Forestry (Dept. Ag. & Consumer Services)
  - Fish & Wildlife Conservation Commission
  - Div. of Historic Resources (Dept. State)
- o Rotating chair & 1 vote per state agency
- o Purpose: To establish uniform cost-accounting categories across state agencies that manage conservation lands




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## Land Management Costs (FY 05-06)

Agency	Units	Acres Managed	Total Costs
DRP	159	724,629	\$85,236,533
CAMA	3	55,949	\$3,839,515
OGT	9	86,964	\$10,376,194
DOF	33	1,001,668	\$30,240,662
FWCC	40	1,346,391	\$49,242,169
DHR	n/a	n/a	\$7,733,179
DSL	n/a	n/a	\$9,586,876
<b>Totals</b>	<b>244</b>	<b>3,215,601</b>	<b>\$196,255,130</b>

Source: Land Management Uniform Cost-Accounting Council 2006 Annual Report




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## Land Management Funding Categories

- o **Resource Management**
  - Exotic species management
  - Prescribed burning
  - Cultural resources (*archaeological & historic*)
  - Timber management
  - Hydrological management
  - Other resource management activities (*natural communities restoration, species surveys, monitoring & research, endangered & threatened species management*)
- o **Administration**
  - Central & district office general administration – budgets, personnel, purchasing, records keeping, supervisory
  - Units/Projects general administration, utilities, basic services...




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## Land Management Funds (FY 05-06)

Source: Land Management Uniform Cost Accounting Council 2006 Annual Report

Agency	CARL Funds	Other Funds	%CARL
DRP	\$21,381,032	\$63,855,501	25%
CAMA	\$1,138,286	\$2,701,229	30%
OGT	\$2,215,571	\$8,160,623	21%
DOF	\$20,294,381	\$9,946,281	67%
FWCC	\$16,291,383	\$32,950,786	33%
<b>Totals</b>	<b>\$61,320,653</b>	<b>\$117,614,421</b>	<b>34%</b>




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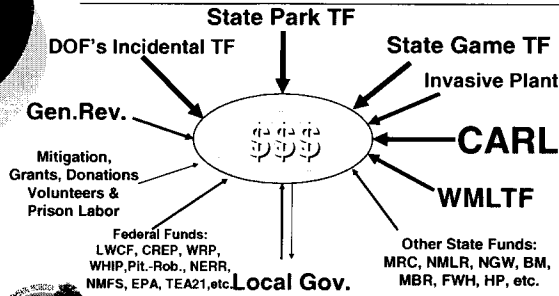
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## Management Funding




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The Department of Environmental Protection is designated by the Florida Legislature as the lead agency for...

Coordinating and funding two statewide programs controlling invasive aquatic and upland plants in waterways and on public conservation lands




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### ***Public Water Bodies***

- Sovereignty lands
- Public ramps
- 455 lakes and rivers
- 1.26 million acres
- 350 active management programs
- \$29 million spent annually



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### ***Funding Priorities***

- Floating plants (hyacinth/lettuce)
- New hydrilla infestations
- Plants blocking access & navigation
- Open areas in dense hydrilla mats
- Large-scale hydrilla control
- Control other noxious plants
- Residential canals

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### ***Floating Plant Problems***



***Water lettuce & Water  
hyacinth*** Flood control  
Navigation  
Recreation  
Environmental



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### ***Environmental Control***



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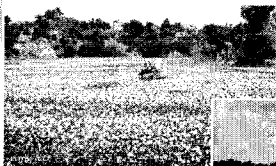
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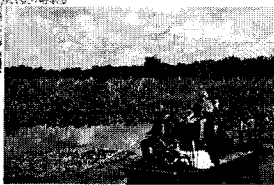
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### ***Maintenance Control***



Crisis management



Treating small infestations

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### ***Centralize / Standardize***

- **Statewide goals and plans**
- **Statewide priority fund distribution**
- **Reduce administration**
- **Coordinate operations**
- **Avoid duplication / neglect**
- **Ensure consistency**
  - ◊ **Policy, goals, administration, methods**

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**Florida's Upland Invasive Plant Management Program**



Australian melaleuca trees, Everglades

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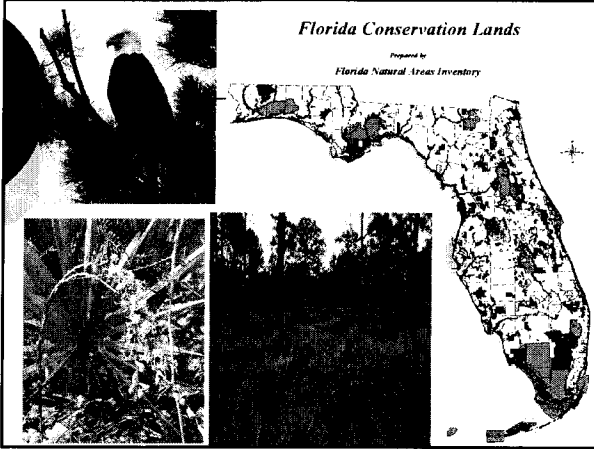
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**Florida Conservation Lands**

*Prepared by  
Florida Natural Areas Inventory*



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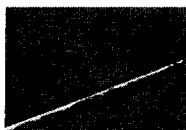
**Problems**



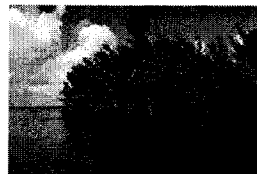
Old World climbing fern



Kudzu



Brazilian pepper forest



Australian pines

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## Management Strategies:

### Regional Working Groups

#### BIPM PROJECT FUNDING CRITERIA

- Cost-share/matching funds available
- Target species with high invasiveness
- Current control technologies available
- Benefit listed (T&E) species
- Perpetual site management

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## 10-Year Program Results

### **MELALEUCA**



- > \$2 million dedicated annual funding (minimum) since 1992
- > 1997 – 2007 165,000 acres of trees controlled (70% of total acres)

### **BRAZILIAN PEPPER**

700,000 acres South Florida public lands 2005

1997 – 2007 56,000 AC controlled (25% of total acres)



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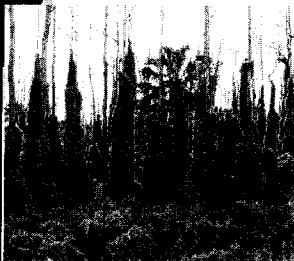
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## 10-Year Program Results

### **CLIMBING FERNS**

(*Lygodium* species)



- > 250,000 acres pre-'04 hurricanes
- > Airborne spores spread statewide
- > 1997-2007 20,000 acres controlled (8.5% of total acres)
- > BIPM started 'Strike Team' 2004



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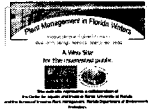
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## DEP Outreach Efforts

- Weed Alerts
- Web sites
- Interactive flash
- Brochures
- Articles
- Annual report
- Media slots
- Videos
- Classroom activities
- Posters
- Operation manuals



**WEED ALERT**  
Beach naupaka



...MAY BE IDENTIFIED BY ...

**Lygodium microphyllum**  
OUTRIGGER FLAG

## Direct Economic Impact

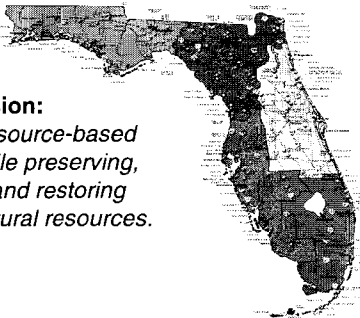
	PARK ANNUAL ATTENDANCE	TOTAL DIRECT ECONOMIC IMPACT	INCREASED STATE SALES TAX REVENUE	TOTAL JOBS GENERATED***
DRP	19,519,202	\$936,249,906.63	\$65,537,493.46	18725.0
CAMA	439,944	\$22,578,923.90	\$1,580,524.67	451.6
OGT	3,425,182	\$150,373,360.31	\$10,526,135.22	3007.5
<b>TOTAL</b>	<b>23,384,328</b>	<b>\$1,109,202,190.85</b>	<b>\$77,644,153.36</b>	<b>22,184</b>

\*\*\*20 jobs per \$1 million in total expenditures in local area (from Dr. Daniel Stynes, Professor, Department of Parks, Recreation and Tourism Resources, Michigan State University).

## Division of Recreation & Parks



**Mission:**  
*To provide resource-based recreation while preserving, interpreting and restoring natural and cultural resources.*



## Resource Management

- **Prescribed Burning**
  - 268,000 Acres of Fire Dependent Land
  - Partnered with Other Agencies such as DOF, TNC
  - 1 Million Acres Burned To-Date
- **Invasive Exotic Plant Removal**
  - FY 06/07 Over 4,000 Acres
- **Sea Oats Restoration**
  - FY 05/06 Over 3.7 Million Planted
- **Springs Protection**
  - Protecting Minimum Flow Levels at 10 First Magnitude Springs
- **Managing Historic and Cultural Sites**
  - 350 Historic Sites Maintained
  - 147 Parks have Archeological Sites




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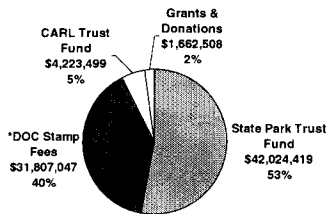
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## Operating Budget FY 07/08 \$79,717,473



*\*A portion of Documentary Stamp Taxes in the Land Acquisition Trust Fund are transferred into the State Park Trust Fund each fiscal year.*




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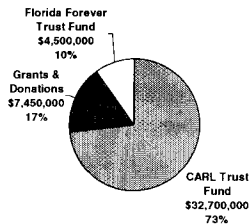
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## Fixed Capital Outlay Budget FY 07/08 \$44,650,000




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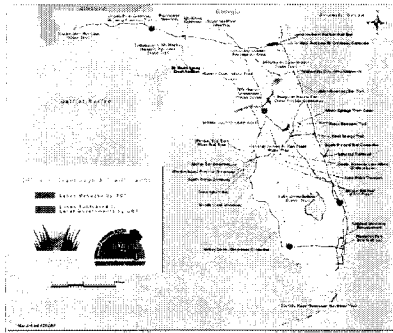
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## Greenways & Trails



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## Greenways & Trails Management

### 86,992 Total Acres

- 11 Managed Properties (83,841 acres)
- 27 Subleased Properties (3,151 acres)
  - 23,377 Acres (27%) -- Receives CARL Long Term Management Funding
  - 63,615 Acres (73%) - Does **Not** Receive CARL Funding

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## Positions Breakdown

- 41 Total FTEs
- 27 Land Management FTEs
  - ↳ 4 Administration and Support
  - ↳ 4 Field Management
  - ↳ 18 Field Staff
  - ↳ 1 Construction Projects Management

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## Partners & Volunteers

- Volunteers
- Local Governments
- State and Federal Agencies
- Non-Profit Organizations
- Developers
- Visit Florida and Local Tourism Organizations



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## Innovative Efficiencies

- Volunteers
- Multi-disciplinary Training for Staff
- Private Donations of Land and Dollars
- Lease of Private Lands
- Private Lands Designation for Trail
- Law Enforcement Residences on OGT Managed Lands
- Inmate Labor
- Sheriff's Work Farm
- Local Government Management and Development of OGT Acquired Lands
- Department of Transportation (Federal Funding)



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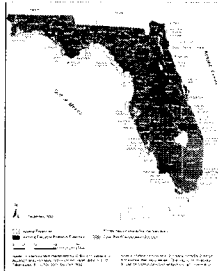
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## Coastal & Aquatic Managed Areas



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## Services to the Public

- Outdoor recreation – hiking, biking, horseback riding, hunting, nature observation, picnicking, primitive camping
- Coastal access – boating, fishing, beach activities
- Education and outreach – formal educational programs, interpretative displays, technical training and workshops
- Resource management – natural and cultural resource protection and restoration to provide a quality environment for public use
- None of these services are provided by private contracts, however, contractors contribute to their completion. For example, contractors maintain fire lanes, perform major exotic plant removal projects, and maintain and construct facilities and infrastructure.
- **In FY 06-07 CAMA had 439,944 visitors, and provided 2,467 outreach events.**



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## Partners and Volunteers

- **Activities include:**
  - interagency fire fighting teams
  - control of exotic species
  - restoration of habitats and watersheds
  - environmental education programs
  - management of protected species
  - research
  - monitoring
- **Major partners include:**
  - Florida Park Service
  - Fish and Wildlife Conservation Commission
  - Division of Forestry
  - Division of Historical Resources
  - Water Management Districts
  - Universities
  - Florida Natural Areas Inventory
  - National Oceanic and Atmospheric Administration
  - National Estuary Programs
  - U.S Fish and Wildlife Service
  - National Forestry Service
  - local governments
  - community-based organizations

40,761 volunteer hours (~\$400K value, 20 FTE equivalent) in FY 06-07

CSO established in each managed upland site



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## How do we stretch our dollars and increase our efficiency?

- pursue grant funding (29% of land management costs in FY 06-07)
- regional fire management teams with the Florida Park Service, Division of Forestry, U.S. Fish and Wildlife Service and the U.S. Department of Agriculture.
- Engage in cooperative monitoring efforts – shorebirds, protected species, water quality, invasive species
- work closely with local governments on education and outreach programs.
- share facilities and other resources with state universities when possible.
- rely on the expertise of the Division of Forestry on the management of forestry resources on its lands.
- cooperate closely with Bureau of Invasive Plants in control, survey and project management
- use volunteers extensively for resource management, construction, maintenance and outreach.



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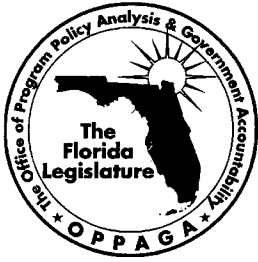
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The Florida Legislature  
Office of Program Policy Analysis & Government Accountability

## Survey of Participants in Land Management Reviews

The Florida Legislature's Office of Program Policy Analysis and Government Accountability (OPPAGA) in support of the Joint Legislative Sunset Committee is conducting research on land management reviews coordinated by the Florida Department of Environmental Protection (DEP) as required by s. 373.591(5), *F.S.*, or s. 259.036(6), *F.S.* The purpose of the research is to examine the process and outcomes of the reviews and offer recommendations for improvement.

We are asking that you answer the questions below on the land management review process. We will not report information in a manner that will identify individual respondents.

As an alternative to completing the survey online, you may fax your completed survey to (850) 487-9213. Thank you for your assistance. If you have any questions regarding this survey or our project, please contact Larry Novey at (850) 487-3768 or [novey.larry@oppaga.fl.gov](mailto:novey.larry@oppaga.fl.gov), or Claire Mazur at (850) 487-9211 or [mazur.claire@oppaga.fl.gov](mailto:mazur.claire@oppaga.fl.gov), or at (800) 531-2477.

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### 1. Please indicate your role in the land management review process.

- Representative of the county or local community in which the parcel or project is located
- Representative of the Department of Environmental Protection, Division of Recreation and Parks
- Representative of the Department of Agriculture and Consumer Services, Division of Forestry
- Representative of the Fish and Wildlife Conservation Commission
- Representative of the Department of Environmental Protection's district office in which the parcel is located
- Employee of a water management district
- Employee from Department of Environmental Protection
- Private land manager
- Member of the local soil and water conservation district
- Member of a conservation organization
- Manager of the public lands subject to review
- Other (please specify) \_\_\_\_\_

2. How many land management reviews did you participate in during the period from July 2004 through June 2007? \_\_\_\_\_

3. For the reviews that you participated in, were all required participants present?

Yes.

No. If no, what was the effect on the review process?

4. If you participated in more than one review, do you feel that the process was consistent between the reviews?

Yes.

No. If no, please explain your response.

5. What training or information did DEP provide to explain the land management review process and prepare you for your participation in the review(s)? Please check all that apply.

Information that explained the management review process

Land management plan

Florida Natural Areas Inventory (FNAI) data

Maps or other property information

Other \_\_\_\_\_

No training or property information was provided



6. Is there any other information that DEP could have provided that would have helped you understand the land management review process?

Yes. If yes, please explain your response.

No.

7. Is there any other information that DEP could have been provided that would have helped you understand the condition of the specific property(ies) that you reviewed?

Yes. If yes, what additional information could have been provided?

No.

8. In general, was there sufficient time allowed for conducting the land management review(s)?

Yes.

No.

Please explain your response.

9. Was land management funding considered in the land management review(s)?

Yes.

No.

Please explain your response.

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10. Does the current land management review process allow for free and open discussion of the property and land manager being reviewed?

Yes.

No.

Please explain your response.

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**11. Does the composition of land management review teams provide professional expertise and perspective to the process?**

Yes.

No. **If no, why not?**

**Do you have any suggestions for changing the composition of the teams?**

**12. Do you feel the current land management review process allows you to evaluate how well the management plan was implemented?**

Yes.

No.

**Please explain your response.**

**13. Based on your experience with land management reviews, does the current review process allow for an adequate evaluation of the extent to which land management plans and managers provide the services described below? (Please provide a response for each management service listed.)**

	Yes	No	Don't have knowledge to make an evaluation	Comments
a. protection of threatened or endangered species	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
b. protection of unique or important natural or physical features	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
c. protection of geological functions	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
d. protection of hydrological functions	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
e. protection of archaeological features	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
f. areas for recreation compatible with conservation purposes	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
g. public access	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
h. timber resource management	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
i. management of land for the purposes for which it was acquired	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

**14. How useful do you feel the land management reviews are to the various stakeholders who receive the management review reports?**

- Very useful
- Somewhat useful
- Not very useful
- Not at all useful
- Don't know

**Please comment on your response.**

	-
	-

**If you are NOT the manager of the property(ies) reviewed, please go to question 16.**

**15. If you are the manager of the property(ies) reviewed, how useful do you feel the land management review(s) are to you in planning and managing your property?**

- Very useful
- Somewhat useful
- Not very useful
- Not at all useful
- Don't know

**Please comment on your response.**

	-
	-

**16. Do you have any other comments, concerns, or suggestions that you would like to share regarding the land management review process or any suggestions as to how to improve land management reviews?**


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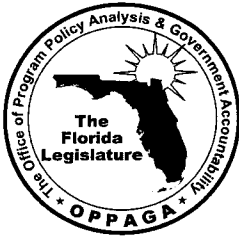
**Contact Information**

Name of person completing survey	<input type="text"/>
Title	<input type="text"/>
Email address	<input type="text"/>
Phone number	<input type="text"/>

**Thank you for taking the time to give us your opinions regarding the land management review process.**

**Please click "Submit Survey" below to submit your survey. If you want a copy of your responses, please print this survey with your responses before you submit it.**

<a href="#">Submit Survey</a>
-------------------------------



The Florida Legislature  
Office of Program Policy Analysis & Government Accountability

## State Agency Conservation Land Management Practices

The Florida Legislature's Office of Program Policy Analysis and Government Accountability (OPPAGA) is conducting research on state agencies' conservation land management practices as part of our support to the Joint Legislative Sunset Committee. The purpose of the research is to examine the process and outcomes related to these practices and to offer recommendations for improvement.

Accordingly, we request that you provide the information below. Please complete and return the information request via e-mail to Larry Novey at [novey.larry@oppaga.fl.gov](mailto:novey.larry@oppaga.fl.gov) by **August 10, 2007**. Thank you for your assistance. If you have any questions, please contact Larry Novey at (850) 487-3768 or Claire Mazur at (850) 487-9211 or (800) 531-2477.

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### Land Management Planning and Coordination of Activities

1. What are your agency's overall land management goals (i.e., guiding principles regarding public access, groundwater protection, timber management, reforestation, etc.)?

2. How does your agency balance goals related to *conservation of natural resources* with objectives related to *public use* of lands?

3. How do your agency's land management goals relate to the use of land management funds? For example, if public access is a major goal, are funds primarily used to increase access? If no, why not?

4. What are your agency's **major land management** activities? How do you prioritize these activities?

5. How is your agency involved in making land management decisions about projects or parcels prior to their acquisition by the state?

6. What are your primary land management concerns prior to land acquisition?



7. How are primary and secondary/cooperating land managers selected?

8. How do the roles and responsibilities of primary and secondary/cooperating land managers differ?

9. Please use the table below to provide the number of acres you managed as a lead manager for the last three fiscal years.

<b>Total Number of Acres You Managed as Primary Land Manager in Fiscal Years 2004-05, 2005-06, 2006-07</b>			
<b>Fiscal Year</b>	<b>2004-05</b>	<b>2005-06</b>	<b>2006-07</b>
<b>Number of Acres</b>	<input type="text"/>	<input type="text"/>	<input type="text"/>

10. Please answer the following questions about land management activities on lands you own and/or are the primary manager.

a. What land management activities are conducted by other public entities? Why are these activities conducted by these entities? Please list activities and entities.

b. What monitoring or accountability mechanisms does your agency use to help ensure that these activities are performed efficiently and effectively?

11. Please answer the following questions about land management plans.

a. What process does your agency follow in developing its land management plans?

b. What entities are involved in developing the plans?

c. Once a management plan is implemented what steps are taken to ensure that management activities comply with the plan?

d. What measures are in place to gauge progress toward accomplishing the goals and objectives outlined in land management plans?

12. How does your agency coordinate land management activities with other entities (federal, state, and local governments; private entities) in the areas listed below? Please give specific examples of coordination activities and the frequency with which they occur.

**Coordination Activities and Frequency**

a. Prescribed burning and other fire related issues

b. Hydrologic restoration -- activities

c. Invasive plant management -- activities

d. Other (please specify)

13. Are there opportunities for increasing the coordination of activities identified in Question 10?

Yes. If Yes, please describe the opportunities.

No.

14. Are there any impediments to interagency coordination?

Yes. If Yes, please describe the impediments and how they can be addressed.

No.

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**Staffing, Funding, and Contracting**

15. How does your agency allocate staff and funding for land management activities on *public* lands?

16. Are any land management activities on public lands that you manage performed by private, contracted entities?

Yes. If Yes, please describe the contracted activities and explain why your agency decided to contract for them.

What monitoring or accountability mechanisms does your agency use to help ensure that these activities are performed efficiently and effectively.

No.

17. Please use the table below to provide the total dollar amount expended for land management activities. Please provide the total amount and source (e.g., General Revenue, CARL Trust Fund, etc.).

**Expenditures for land management activities conducted on public lands**

Land management services provided by:	Fiscal Year 2004-05		Fiscal Year 2005-06		Fiscal Year 2006-07	
	Amount	Source	Amount	Source	Amount	Source
Your agency as a lead manager						
Your agency as a secondary/cooperating manager						
Other entities						
<b>Total land management expenditures</b>						

18. Please use the table below to provide the total number of FTEs assigned to land management activities.

**Expenditures for land management activities conducted on public lands**

	Fiscal Year 2004-05	Fiscal Year 2005-06	Fiscal Year 2006-07
<b>Total number of land management FTEs</b>			

19. Are any of your agency's lands solely managed by contracted entities?

Yes. If Yes, please indicate how many parcels and how many acres are managed by contracted entities.

No.

20. Please answer the following questions about land management activities performed by volunteers.

a. What land management activities (including visitor services) are conducted by volunteers?

b. How do you ensure the quality of services provided by volunteers (e.g., ensure the accuracy of species inventories, quality of educational programs)?

c. How many hours of land management activities were conducted by volunteers during the last three fiscal years?

d. Please provide any other comments you may have regarding the use of volunteers to perform land management activities.

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## Public Access for Recreational Activities

21. What is your decision-making process for determining the types and amounts of recreational activities allowed on the land managed by your agency?

22. Does the presence of law enforcement affect the amount and type of recreational activities allowed on your lands?

Yes. If Yes, how?

No.

23. Please answer the following questions about public access to your lands.

a. How many acres and what percentage of your total land is closed for public access?

Acres       %

b. For what reasons does your agency not allow access to certain lands?

c. How does your agency determine the number of designated access points to its lands?

d. When there are competing interests by users, how does your agency determine what activities will be allowed?

e. How does your agency inform the public as to what activities are allowed on state lands?

24. What public access issues affect your agency and how are they being addressed?

25. When the state purchases private lands, how does public access change when your agency assumes management (e.g., opening land to hunting or other activities, prohibiting vehicles, etc.)?

26. How does your agency inform the public concerning changes in access?

27. What concerns do you receive from the public regarding access to public lands?

How is this information used?

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## Land Management Outcomes

28. What qualitative and quantitative information do you use to assess the condition of lands managed by your agency?

29. Does your agency have performance measures for its land management activities?

- Yes. If Yes, please provide measures and performance data for each measure for Fiscal Years 2004-05, 2005-06, and 2006-07.

If yes, please describe how the measures are used in making management decisions.

- No. If No, please explain why you don't have performance measures.

30. Please answer the questions below regarding land management reviews required by sections 259.036(6) and 373.591(5), *Florida Statutes*.

a. In general, what have been the findings and recommendations of the reviews?

b. How do you use review findings and recommendations?

c. What do you see as the strengths and weaknesses of the land management review process?

d. Are land management reviews needed? (Please explain your answer.)

Yes.

No.

e. How could the land management reviews be improved?

31. What are the major challenges faced by your agency in conducting its land management activities and how could these challenges be addressed?

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Name of Agency:

Contact Person:

Phone Number:

E-mail Address:

Please complete this survey and return it to OPPAGA by **August 10, 2007**.

Thank You!

[Print Form](#)

[Submit by Email](#)



# **ADDENDUM B**

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## **Committee on Conservation & State Lands**

**Tuesday, October 2, 2007  
1:00 PM –4:00 PM  
216 Capitol**



**Florida House of Representatives**  
**2007-2008 Interim Project Format**

**PROPOSAL**

**Council/Committee:** Environmental and Natural Resources Council/Committee on Conservation and State lands

**Project Title:** Land Acquisition, Capital Projects and Long-term Land Management

**Staff Responsible:** Leonard Zeiler, Steve Palmer, Ralph Perkins

**Problem Statement:** Over the past thirty years, Florida has invested more than \$6 billion to conserve approximately 3.6 million acres of land for environmental, recreational and preservation purposes. Florida Forever is the state's most recent blueprint for conserving natural resources and is scheduled to continue to the year 2010. It replaced the highly successful Preservation 2000 program, the largest program of its kind in the United States. The Florida Forever Act, implemented in 2000, reinforced Florida's commitment to conserve its natural and cultural heritage, provide urban open space, and better manage the land acquired by the State. Florida Forever is more than an environmental land acquisition mechanism. It encompasses a wide range of goals including: environmental restoration; water resource development; increased public access; public lands management; and increased protection of land through conservation easements.

Prior to the 2007 Legislative Session, a consortium of environmental groups proposed doubling the bonding capacity of a successor program to Florida Forever. It is anticipated this proposal or a similar proposal will be suggested for consideration by the 2008 Legislature.

Despite the success of past programs, future acquisitions face increased land costs, budget constraints, and land management duties. As Florida plans for the successor to the Florida Forever Program, it must address these challenges. The long-term management of conservation lands and public access to such lands have been of particular concern to several House Members. The perception of lack of public access to land under state ownership is possibly due to limited public input during the development of land acquisition plans and land management plans.

Currently, the state allocates land management funding based on acres managed by the managing agency. The existing distribution of funds is not based on level of effort. This methodology does not direct resources towards actual needs and may leave departments with more intense land management efforts under funded.

**Purpose of the Project:** The purpose of the project is to determine:

- Do the current management tools capture the actual land management cost for conservation land?
- Are current land management activities providing the intended benefit (conservation and public access)?
- In developing land acquisition strategies, does the current process adequately address land management and its long-term cost?
- Can the allocation of land management funding be improved, and if so, how?

The methodology will begin with a review of the history of the state's land acquisition programs and their objectives. A review of the Chapters 253 and 259, Florida Statutes, and related department rules will be conducted to identify current land management requirements and reporting mechanisms.

A summary of acreage acquired, personnel and land management cost since P2000 will be obtained. Reviews of the current Acquisition and Restoration Council's process and the Land Management Advisory Council activities and reports will be conducted. A review of current funding allocations will be conducted.

Two opinion surveys will be developed and conducted: 1) to determine whether public participation is adequately addressed and encouraged. and 2) to determine the current unmet needs and challenges faced by the state's land managers. Interested parties will be contacted for suggestions for improving public participation.

**Expected Format for Outcome:** The expected outcome is a formal report to be utilized by the Committee on Conservation and State Lands and the Environmental and Natural Resource Council to evaluate current land acquisition prioritizations and to possibly develop a future land acquisition program that includes a focus on land management strategies prior to acquisition. A land management funding allocation proposal will be developed that allocates resources based upon land management efforts.



**Florida House of Representatives**  
**2007-2008 Interim Project Format**

**UPDATE**

**Council/Committee: Environmental & Natural Resources Council/Conservation and State lands**

**Project Title: Land Acquisition, Capital Projects and Long-term Land Management**

**Staff Responsible: Leonard Zeiler, Steve Palmer & Ralph Perkins**

**Problem Statement:**

Over the past thirty years, Florida has invested more than \$6 billion to conserve approximately 3.6 million acres of land for environmental, recreational and preservation purposes. Florida Forever is the state's most recent blueprint for conserving natural resources and is scheduled to continue to the year 2010. It replaced the highly successful Preservation 2000 program, the largest program of its kind in the United States. The Florida Forever Act, implemented in 2000, reinforced Florida's commitment to conserve its natural and cultural heritage, provide urban open space, and better manage the land acquired by the State. Florida Forever is more than an environmental land acquisition mechanism. It encompasses a wide range of goals including: environmental restoration; water resource development; increased public access; public lands management; and increased protection of land through conservation easements.

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- In developing land acquisition strategies, does the current process adequately address land management and its long-term cost?
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A review of current funding allocations will be conducted.

## **Expected Format for Outcome:**

The expected outcome is a formal report to be utilized by the Committee on Conservation and State Lands and the Environmental and Natural Resource Council to evaluate current land acquisition prioritizations and to possibly develop a future land acquisition program that includes a focus on land management strategies prior to acquisition. A land management funding allocation proposal will be developed that allocates resources based upon land management efforts.

**Anticipated Timeframe:**

	Anticipated Completion Date						
	June 2007	July 2007	Aug. 2007	Sept. 2007	Oct. 2007	Nov. 2007	Dec. 2007
<i>[Insert specific project tasks in this column]</i>							
Background research	X	X					
Meet with affected parties		X	X	X	X		
Send written survey sent to affected parties			X				
Analyze survey results				X	X		
Write draft report					X	X	
Finalize report							X
Submit report to Speaker's Office							X
<b>Midterm progress report to Speaker's Office</b>				9/08			
<b>Maximum due date for completion</b>							12/28/07

**September 8, 2007 progress report: (Paragraph indicating progress on interim project.)**

Staff has completed it background research on existing statutes and rules effecting Land Acquisition and Land Management.

A narrative description and flowcharts of the processes are being prepared for the October interim meeting.

The processes by which management plans are developed and reviewed are being examined.

Acquiring historical data on land management cost has not been completed. Land management data since P 2000 is difficult to obtain. However, data is readily available since the inception of the Florida Forever program. Copies of the Annual Reports prepared by the Land Management Uniform Cost Accounting Council have been obtained and additional information has been requested regarding funding sources and FTEs.

Two surveys regarding state lands that are being conducted by OPPAGA were developed in cooperation with the C&SL. The results of these surveys are being received by OPPAGA staff and tentative findings have been discussed with staff. Among the inquiries, these surveys address public access and activities associated with state lands.

On August 2, 2007 a questionnaire was sent to the various state agencies and water management districts requesting information regarding the lands for which they have management responsibilities. To date all have responded, except FWCC which has

indicated that they will have the information to us this week. We are in the process of compiling and analyzing the responses.

Discussions are ongoing with DEP/DSL regarding the application of the weighting formula for distribution monies marked for land management activities.



# AUDITOR GENERAL

WILLIAM O. MONROE, CPA



## DEPARTMENT OF ENVIRONMENTAL PROTECTION

### LAND ACQUISITIONS

#### Operational Audit

#### SUMMARY

The Department of Environmental Protection (Department) provides staff support to the Board of Trustees of the Internal Improvement Trust Fund for the acquisition of lands by the State. It is our responsibility to routinely monitor these acquisitions and to perform audits as we deem necessary. Six acquisitions were selected for audit based on our preliminary risk assessments. The summary of our findings for the period January 1, 2004, through June 30, 2006, is as follows:

- **Finding No. 1:** Documentation supporting the Babcock Ranch acquisition gave an appearance of influence of the appraisal amounts by the Department in the establishment of value estimates of contracted fee appraisers.
- **Finding No. 2:** In accepting a \$2,100,000 increase in the approved value for the Norfolk Southern acquisition, the Department relied on appraised values based on a hypothetical condition that was demonstrated in the appraisal reports to be unlikely to occur. Further, Department records should document consideration of the impact of the City of Jacksonville's decision to pay an additional \$5,116,000 for the property on the State's decision to pay the entire maximum amount (\$8,400,000).

- **Finding No. 3:** Inconsistencies and deficiencies in the highest and best use analyses and conclusions of appraisals for the Overstreet Ranch and Tiger Island acquisitions may have impacted the value estimates for those parcels.
- **Finding No. 4:** There was lack of documentation of the Department's appropriate consideration of the prior sale, the value estimates in the appraisal reports, and the negotiation process of the Three Rivers acquisition.

#### INTRODUCTION

Acquisitions of lands by the State, other than for transportation and water management purposes, are generally made by the Board of Trustees of the Internal Improvement Trust Fund (Board of Trustees) utilizing staff of the Department of Environmental Protection (Department), Division of State Lands. Chapters 253, 259, and 375, Florida Statutes, provide the authority, procedures, and funding mechanisms for the acquisition of real property by the State. Board of Trustees Rule 18-1, Florida Administrative Code, prescribes additional State land acquisition procedures.

Section 259.041(7)(b), Florida Statutes, requires that each parcel to be acquired shall have at least one



appraisal and that two appraisals are required when the estimated value of the parcel exceeds \$500,000. Section 259.041(1), Florida Statutes, provides the Board of Trustees the authority to substitute other reasonably prudent procedures provided the public's interest is reasonable protected. The Board of Trustees, on June 22, 1999, approved an increase in the threshold in Section 259.041(7)(b), Florida Statutes, from \$500,000 to \$1 million, pursuant to this authority. Subsequent to June 22, 1999, the Department has required two appraisals when the estimated value of the parcel exceeds \$1 million.

Section 259.041(16), Florida Statutes, provides that we conduct audits of acquisitions and divestitures which we deem necessary, according to our preliminary assessments of Board-approved acquisitions and divestitures.

During the audit period (January 1, 2004, through June 30, 2006), the Board of Trustees approved 76 acquisitions, which included 171,178.75 acres (including conservation easement acquisitions with restrictions that limit the future use of the property) at a total purchase price of \$631,699,759 (including conservation easement acquisitions of 49,384.32 acres at a total purchase price of \$52,014,273). The Board of Trustees share of the purchase price for all of these acquisitions was \$508,922,847. Our audit included six acquisitions totaling 90,583.64 acres. The total purchase price of these acquisitions was \$451,286,077, and the Board of Trustees share of the purchase price was \$362,986,918.

Details of the six acquisitions included in our audit are shown in the following table:

Property (Project)	Acquisition Partners	Date of BOT Approval	Closing Date	Acreage (Final)	Appraised Values	Purchase Price (Final)	Price per Acre	Trustees Share of Purchase Price
Three Rivers (Four Creeks Forest)	St. Johns River Water Management District	2/26/04	4/27/05	10,221.1	\$26,100,000 27,960,000	\$25,085,787	\$2,454	\$12,542,893
Dressler (Tiger Island)	N/A	9/21/04	11/30/04	74.3	1,900,000 1,600,000	1,634,000	21,992	1,634,000
Korman-Seldin (FL 1 <sup>st</sup> Magnitude Springs)	N/A	5/17/05	6/30/05	330.4	7,270,000 8,260,000	7,847,000	23,750	7,847,000
Norfolk Southern (NE FL Timberlands)	City of Jacksonville	9/07/05	6/30/06	1,651.69	7,000,000 10,000,000	13,516,000	8,183	8,400,000(1)
Babcock (Babcock Ranch)	Lee County	11/22/05	7/31/06	73,239.17	390,150,000 394,695,000	350,000,000	4,779	308,461,380
Overstreet (Green Swamp)	SW FL Water Management District	5/16/06	5/31/06	5,066.98	56,000,000 57,100,000	53,203,290	10,500	24,101,645

(1) The U. S. Navy paid \$2,000,000 to the Board of Trustees to put a conservation easement on the subject property and the City of Jacksonville contributed the remaining \$5,116,000. Therefore, the Board of Trustees contribution of \$8,400,000 was effectively reduced to \$6,400,000.

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**FINDINGS AND RECOMMENDATIONS**

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**Finding No. 1: Appearance of Appraiser Influence**

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**BABCOCK RANCH**

The Babcock Ranch property was acquired pursuant to Section 259.1052, Florida Statutes (2006), which states that the goal of acquiring this property was sustaining the ecological and economic integrity of the property while allowing the business of the ranch to operate and prosper. The Babcock Ranch property contained 73,239.17 acres composed of 78 percent uplands and 22 percent wetlands. The property is located in Charlotte (67,618.81 acres) and Lee Counties (5,620.36 acres), and is approximately eight miles northeast of Ft. Myers. Historic uses have included agriculture, mining, and ecotourism. The property was purchased on July 31, 2006, at a final purchase price of \$350,000,000. The Department's share of the purchase price was \$308,461,380, and the Board of Trustees received title to the portion of property located in Charlotte County. Lee County contributed \$41,538,620 and received title to the portion of the property located in Lee County.

The Department contracted with two fee appraisers to prepare market value appraisals for this acquisition. One appraisal, dated July 2, 2004, had an appraised value of \$460,000,000 and the other appraisal, dated August 11, 2004, had an appraised value of \$450,000,000. Updated appraisal reports were obtained from these same two appraisers in September 2005 as a result of a portion of the transitional land acreage (an area having a more likely near term potential for development) being retained by the seller and not included in the acquisition. The original appraisals included 19,890 acres of transitional land, and the updated appraisals contained approximately 4,552 acres of transitional land. Both sets of appraisals included 68,924.5 acres of agricultural land. The updated appraisal reports included appraised values of \$394,695,000 and \$390,150,000. The original appraisals valued the agricultural lands, comprising about 78 percent of the tract, at \$3,500 per acre. The

updated appraisals, approximately one year later, indicated agricultural lands, comprising approximately 94 percent of the tract, had increased in value to \$5,000 per acre, or a 43 percent increase.

Both of the original appraisal reports of the agricultural lands cited the same five comparable sales. After adjustments for location, size, zoning, and topography, indicated values ranged from \$2,743 to \$4,617 per acre in one report and from \$2,859 to \$5,051 per acre in the other report. In the updated appraisal reports, those five sales were replaced with three different comparable sales. The three sales had adjusted unit price indications of \$5,000, \$5,015, and \$6,056 per acre in one appraisal and \$5,000, \$6,218, and \$6,541 per acre in the second appraisal, resulting in the value increase for the agricultural lands from \$3,500 to \$5,000 per acre in both appraisal reports. The review appraiser concluded that the two updated appraisal reports were acceptable and provided sufficient information to support their value conclusions.

Our review of the Department's acquisition files for the Babcock Ranch property disclosed an unsigned and undated document which indicated that the Department became concerned about the impact the reduction in transitional acreage (approximately 15,000 acres) might have on the value of the remainder of the acquisition. Valuation scenarios in the document indicated that, at initial acreage values, the Department might not be able to meet the sellers "bottom line price" (\$350,000,000) for the State/Lee County cost of the acquisition. The document included calculations relative to the July 2004 appraisals and included the following statement: "So we have a gap of \$117.2M between the July 2004 appraisal and (the sellers) bottom line price." The document also stated, "Our challenge is how to meet his price with the appraisals. We can 1) update appraisals or 2) have the cabinet vote to purchase above appraised value." The document further stated that the seller "would rather we NOT pay above appraised value... he says he'll get criticized for it..." Under a section of the document titled PURPOSE OF UPDATE TO APPRAISAL the

document stated that “update appraisal addendums were requested from the two appraisers to better quantify the current value of the property the state is proposing to purchase.”

This document appeared to summarize a plan of action to use the new appraisal reports to accommodate the seller’s price requirements and facilitate the remaining land acquisition. As noted previously, the updated appraisals, approximately one year later, indicated agricultural lands had increased in value to \$5,000 per acre, or a 43 percent increase.

Five comparable sales included in the original appraisal reports ranged from 3,164 to 9,973 acres. The appraisal reviews of these appraisal reports questioned the size of the comparables as compared to the subject property (73,239.17 acres). In the updated appraisal reports, comparables of 3,092, 5,137, and 27,410 acres were used. Both sets of appraisal reports contained discussion relative to the size differences between the comparables and the subject property. However, our review indicated that there was an inadequate explanation in the reports as to the effect on the final value conclusions of the use of comparables significantly smaller in size than the subject property, creating uncertainty as to the validity of the final value conclusions contained in the appraisal reports.

The contents of the unsigned and undated document in the Department’s acquisition files, coupled with the issue related to the size of the comparables used in the updated appraisal reports, creates, at a minimum, an appearance of influence of the appraisal amounts by the Department as it relates to the establishment of an appraised value and purchase price for the property.

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**Recommendation:** The Department should assure that documentation in its acquisition files is dated and signed by the preparer. Additionally, to avoid any appearance of influence on the appraisal amounts, the documentation should clearly show that any updates or appraisal addendums were based on value estimates made in an unbiased and independent environment by the fee appraisers.

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### Follow-up to Management Response

*The Secretary, in his response to this finding, stated that the appraisers, in recognizing the much larger size of the Babcock Ranch property, did consider and apply an appropriate adjustment for size; the review appraisers concerns about how the appraisers analyzed the sale data concerning size were adequately responded to by the appraisers; and the appraisers “conducted an in-depth analysis of the affect on the size of the sales in comparison to Babcock and reflected the market support in their value conclusions.” He further stated that “Based on this information, the Department is of the opinion that the size of the sales was adequately addressed.” However, the point of our finding was that the appraisal reports did not contain a sufficient explanation of how the smaller comparables, as compared to the subject property, affected their final value conclusions.*

*As stated in our finding, both appraisal reports contained limited discussion relative to the size differences between the comparables and the subject property. As to the size adjustment referred to by the Secretary, the support contained in the appraisal reports was a land sales chart which included a list of characteristics such as condition of sale, location, and size. On the line item for size the appraisers ranked each of the comparable sales as inferior, similar, or superior. However, there was no discussion in either appraisal report explaining how these qualitative factors ultimately affected their final value conclusions. Therefore, we remain of the opinion, that there was an inadequate explanation in the appraisal reports as to the effect on the final value conclusions of the use of comparables significantly smaller in size than the subject property.*

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### Finding No. 2: Use of Hypothetical Conditions

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#### NORFOLK SOUTHERN

The Norfolk Southern acquisition consists of an irregularly shaped 1,651.69 acre tract of vacant land in west Duval County. The property contains 27 percent uplands and 73 percent wetlands and is located adjacent to a Naval training facility. The property has poor access as roadways, both on and off-site would need to be constructed before the property could be developed. Many of the uplands are scattered and

would require the construction of roads across wetlands to provide access. The Norfolk Southern property was purchased jointly by the State and the City of Jacksonville for \$13,516,000, with the State paying \$8,400,000 and receiving full title to the property.

According to the appraisal reports, the property is negatively impacted by the Naval facility in the following ways: 1) An aviation easement prohibits any form of development encumbering 155.3 acres (63.33 acres of the uplands); 2) Air Installation Compatible Use Zones (AICUZ) cover the majority of the developable land on the subject property, ensuring that development of surrounding land to air fields are compatible in terms of noise levels and accident potential inherent with airports; and 3) All of the developable land falls within high decibel noise impact zones. As a result of the negative impacts of the Naval facility, the subject property cannot include residential development or other development involving higher concentrations of people and taller building heights.

In May 2004, two fee appraisers prepared market value appraisals for the proposed Norfolk Southern acquisition. The appraised values were \$5,300,000 and \$6,300,000, respectively. Both appraisers appropriately deducted the cost of on-site and off-site road improvements, which would be required for the property to be developed. No atypical limiting conditions or hypothetical conditions were utilized in these appraisals.

On September 15, 2004, the City of Jacksonville (City) wrote a letter to the Department stating, "The City would, based upon review of area needs and available funding sources, agree to fund the extension of Chaffee/Pritchard Road through the Westlake Development of Regional Impact." The letter also said, "The City would, based upon review, also agree to fund additional off-site infrastructure, including the cost of extending Chaffee Road and associated utilities to the boundary of the proposed State acquisition, by way of direct obligation and or incentives, etc."

The Department ordered two new appraisals, one of which was performed by one of the original appraisers. Also, a consulting firm was asked by the Department to research the viability of the City's funding pledge. In a letter dated December 20, 2004, which was included in one of the appraisal reports, the consulting firm reported that, in Duval County, funding for all roadway projects is typically conducted through the First Coast Metropolitan Planning Organization (FCMPO). This organization had estimated the cost to construct the new 2-lane roadway (required for development) from Chaffee Road at Old Plank Road northward and eastward to Pritchard Road at \$18.9 million. The consultant's letter stated that FCMPO's recently completed 2030 Long Range Transportation Plan indicated that there were no funds available for this project or \$2.4 billion worth of other projects through 2030. The letter further stated that one FCMPO member's assessment of the Mayor's letter was that "this commitment is not worth the paper it is written on." The consultant summarized, "It is my opinion that the herein referenced letter commitment of City funding for this private roadway project can not be substantiated."

A Department e-mail stated that the City's letter "was given to both appraisers for them to see if what was said in the letter would be sufficient for them to change their value. Both appraisers said that based on what the letter said, they would not change the value."

On January 18, 2005, the City amended the letter to say the City could obtain the funds to build the road from other sources such as issuing bonds or selling surplus property, but qualified that commitment by saying "just as the State cannot commit to purchase a piece without approval from the Board of Trustees of the Internal Improvement Trust Fund, the City cannot complete its commitment without approval from City Council."

Based on comments in the latest appraisal reports, it appeared unrealistic to assume the City would issue bonds or sell surplus property to raise \$18.9 million to build a new road through a neighborhood which is

sparingly populated and has historically experienced stable growth. Both of the latest appraisal reports described the subject neighborhood as transitional in nature and only 25 percent built up. Improvements consisted primarily of scattered industrial properties, homes on small acreage tracts, large acreage parcels and older homesteads. The neighborhood is located eight miles west of the Jacksonville downtown business district.

The appraisal, which was the basis for the final approved value, stated that an abundant supply of industrial land exists in Jacksonville in Westside Industrial Park, Westlake Development of Regional Impact (DRI), Jacksonville Trade Port, East Side Industrial Park, and various other industrial parks. All of these parks have a large inventory of remaining industrial land to be sold. Also, the available land in these parks is not adversely impacted by noise zones and accident protection zones. The appraisal further stated, "It appears the subject land cutout is the least desirable land remaining in the Westlake DRI." It consists of 435.36 acres of scattered uplands and 1,216.33 acres of wetlands. The Norfolk Southern acquisition is part of Westlake DRI, which is one of the oldest DRI's in the State of Florida. Although it has been in existence since 1973, there are only three developed parcels in the entire DRI.

The latest appraisals, initially received in December 2004, were subsequently modified to include copies of the City's January 18, 2005, letter. One appraiser's value estimate increased from \$6,300,000 in the previous report to \$10,000,000, predicated on the "Limiting Condition" that the required road work would be funded by the City. This appraisal report did not include the consulting firm's December 20, 2004, letter. A preliminary report submitted by the other appraiser (not one of the two original appraisers) indicated a value estimate of \$6,100,000, which was comparable with the two original appraisals in May 2004. However, the value in the final report was \$7,000,000, and the value was predicated on a "Hypothetical Condition" which stated, "We have appraised the subject property under the Hypothetical

Condition that all off-site costs and on-site costs relating to the extension of Pritchard-Chaffee Road will be incurred by the City of Jacksonville, as pledged by the Office of the Mayor, via a letter dated January 18, 2005."

In setting the maximum price, Department staff within the Division of State Lands, in a memorandum dated February 24, 2005, stated that "Due to the significant divergence in values of more than 20%, I recommend the Division Director utilize the provision of Section 18-1.006, F. A. C., whereby a maximum amount of 120% of the lower approved value can be used as the recommended value for acquisition." The Division Director approved this request on March 2, 2005. The final approved value of \$8,400,000 was based on 120 percent of the lower appraisal (\$7,000,000). However, if the approved value had been based on the market value of the appraisals without the hypothetical condition of the City providing off-site and on-site infrastructure, it would have been \$6,300,000, or \$2,100,000 less. Considering the statements attributable to the FCMPO representative included in the consultant report requested by the Department concerning the commitment of funding contained in the City's letter, it does not appear that the Department's acceptance of the appraisal reports, which included value estimates predicated, in part, on the assumption that funding of the road project would occur, was appropriate. Furthermore, the road project had not, as of July 2007, begun.

Further, Department records did not document consideration of the impact of the City's decision to pay an additional \$5,116,000 for the property on the State's decision to pay the entire maximum amount (\$8,400,000).

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**Recommendation:** The Department should review the support for any hypothetical conditions contained in appraisal reports and clearly evidence the basis relied upon in accepting appraisal reports that contain such conditions, particularly when evidence contained in the appraisal report clearly indicates that the hypothetical condition is unlikely to occur.

Further, Department records should document consideration of the impact of the City's decision to pay an additional \$5,116,000 for the property on the State's decision to pay the entire maximum amount (\$8,400,000).

#### **Follow-up to Management Response**

*The Secretary, in his response to this finding, stated that documentation and disclosure regarding the City of Jacksonville's payment of an additional \$5,116,000 above the state's maximum approved value was in the Board of Trustee's September 7, 2005, agenda item #7. This agenda item did include a statement that the total purchase price to the seller was \$13,516,000, that the State was purchasing property from the seller for \$8,400,000, and described the funding sources for the \$5,116,000 contribution by the City of Jacksonville. However, the agenda item did not document consideration of the impact of the City's decision to pay an additional \$5,116,000 for the property on the State's decision to pay the entire maximum amount (\$8,400,000).*

*With regard to the hypothetical conditions in the appraisal reports, the Secretary referenced Standard Rule 1-2 of the Uniform Standards of Professional Appraisal Practice (USPAP) and stated that the provisions of this rule were appropriately used in full compliance with the cited rule and with a complete understanding by Department staff. Standard Rule 1-2 provides for the use of a hypothetical condition only when such use meets specified criteria, including resulting in a credible analysis. As indicated in the finding, use of the hypothetical condition (construction of a road) in question, despite clear and convincing evidence that the road would likely not be built (lack of a funding source in place or a commitment from the City) does not result in a credible analysis.*

#### **Finding No. 3: Highest and Best Use**

##### **OVERSTREET RANCH**

The Overstreet Ranch acquisition is a parcel within the large ongoing Green Swamp Project area designated as the Green Swamp Area of Critical State Concern. The Overstreet Ranch property contained 5,066.98 acres and had a maximum approved value of \$57,100,000.

The acquisition was a joint acquisition by the Southwest Florida Water Management District (SWFWMD) and the Department. Polk County contributed \$5,000,000 toward the purchase price. The remaining cost was split equally between the SWFWMD and the Department, with each paying \$24,101,645.

The appraised values were \$56,000,000 and \$57,100,000. Both appraisals concluded that the subject's highest and best use was for 750 one-acre estate-type rural conservation-oriented residential lots centered around the property's recreational amenities. The 750-lot subdivision conclusion was based on the owner's map depiction of the proposed development. One appraisal stated that the development could be constructed and sold out in four years, including one year for approvals and construction of infrastructure. The appraiser further stated that lots would retail in the \$140,000 to \$225,000 range, based on a conversation with a local broker and investigation of a similar development in South Carolina. No local, regional, or statewide market evidence was presented in the appraisal report to support this opinion and there were no assurances or data to indicate that the South Carolina development had a similar location, topography, or other attributes similar to the subject property.

The other appraisal similarly stated that the owner's conceptual plan for a 750-lot high value, low density, residential development is the property's highest and best use. The appraisal stated that the Polk County Growth Management Director had written a letter indicating that the plan "would likely be permitted if all Polk County land use requirements were adhered to". However, the Department of Community Affairs would also be required to approve any land use plan amendment. According to the appraisal, continued lime rock mining on portions of the property and continued agricultural use were eliminated as possible uses, leaving residential development as the only possible immediate use.

Standards Rule 1-3, Uniform Standards of Professional Appraisal Practice (USPAP) (2005), states that an appraiser must avoid making unsupported assumptions and premises about market area trends. An appraiser must also identify and analyze the effect on use and value of existing land use regulations and reasonably probable modifications of land use regulations.

In the highest and best use analyses included in both appraisals, a proposed plan, one letter from a local official, and an analysis of a development in South Carolina were the basis of the highest and best use estimates. There was no presentation in the appraisal reports of local or regional Florida data to directly support either appraisal's analyses.

### **TIGER ISLAND**

The Tiger Island acquisition is a low elevation, isolated vacant island with non-contiguous uplands interspersed with, and mostly surrounded by, saltwater marsh. The island is located in Nassau County, approximately two miles west, northwest of Fort Clinch State Park, and three miles northwest of the City of Fernandina Beach. The only access to the island's uplands is by boat at the south end of the island. Such access would be subject to strong tidal currents.

The island contains 74.3 acres, including 27.9 acres of uplands and 46.4 acres of wetlands, and had a maximum approved value of \$1,900,000, based on the appraisal reports. The Department purchased the property for \$1,634,000 on November 30, 2004.

The appraisals' highest and best use analyses were reasonably thorough and provided convincing support against any type of residential development due to the isolated location, access limitations, uplands configuration, low elevation, potential for flooding by storm surge, wave action and high tides, as well as environmental and significant development considerations including many development requirements of local authorities relating to sewage treatment, fire safety, police and emergency medical

personnel access, and solid waste disposal. However, one appraisal's highest and best use conclusion was speculative investment with anticipation for future residential development with an interim use for recreation, and the other appraisal's highest and best use conclusion was some combination of limited residential development for a few vacation homes along with conservation/recreation. The highest and best use conclusions appear to be inconsistent with many of the statements in the highest and best use analyses of the subject property that identified numerous physical, legal, logistical, and financial difficulties that would have likely discouraged and limited development. The residential highest and best use conclusions resulted in the use of comparable sales that had greater utility and potential for development than the subject property, which appeared to have very limited, if any, development potential.

Furthermore, two of the four sales used as comparables in the valuation analyses of the appraisal with the higher value, which was the approved value for negotiations, had vehicular access and public electricity from the mainland. It appears that these features should have disqualified these sales for comparison to the subject property in the sales comparison approach.

Our review indicated that neither report adequately addressed differences between the comparable sales and the subject property, particularly relating to topography, development potential, available utilities, and units of comparison. These deficiencies may have materially impacted the value conclusions.

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**Recommendation:** The Department should exercise greater oversight of appraisal reports to ensure that appraisers' highest and best use analyses and conclusions, as well as valuation analyses, are accurate, thorough, reasonable, and supported by relevant market data.

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### **Follow-up to Management Response**

*With regard to the Overstreet Ranch acquisition, the Secretary, in his response to this finding, stated that the subject was a large agricultural and mining parcel; only agricultural tracts were used*

*in the sales comparison approach, the subject was zoned agricultural and sales analyzed had agricultural or rural zoning, and the valuation was not based on any change in zoning or land use and did not require approval from the Department of Community Affairs (DCA). Given that both appraisers concluded that the subject's highest and best use was for 750 one-acre estate-type rural conservation-oriented residential lots centered around the property's recreational amenities, it is unclear why the appraisers would use agricultural and mining parcels to form value conclusions. Our review of the comparables disclosed that the parcels actually used were agricultural and mining parcels with development potential, consistent with the highest and best use conclusions. However, since the subject property was in an area of Critical State Concern, neither the highest and best use conclusions nor the selection of comparable parcels appears appropriate. Further, while continued use of the land for agricultural and mining purposes would not require zoning changes and DCA approval, conversion of the property to residential lots, as considered in the highest and best use conclusions, would require re-zoning and a comprehensive plan amendment which requires approval by the state land planning agency (DCA) pursuant to Section 163.3189(2)(a), Florida Statutes.*

*The Secretary further stated that one of the appraisal reports did not include a feasibility analysis of a subdivision development, although it did contain a feasibility analysis on continuing and expanding the mining operation on-site. The appraisal report referred to by the Secretary did address the continued lime rock mining on portions of the property and continued agricultural use; however, this appraiser eliminated both the mining and agricultural uses as possible uses, leaving residential development as the only possible immediate use.*

*With regard to the Tiger Island acquisition, the Secretary, in his response to this finding, stated that "the audit report indicates that better comparable sales of islands were readily available at the time these reports were prepared, yet, none were presented in the finding." The only reference to comparable sales in this finding was that in one of the appraisal reports we were of the opinion that two of the comparable sales used should have been disqualified. We did not suggest that better comparable sales of islands were readily available.*

#### **Finding No. 4: Valuation and Negotiation Documentation**

The Four Creeks Forest (Three Rivers) acquisition is a large irregular-shaped timber tract that the State and the St. Johns River Water Management District (SJRWMD) purchased as a joint acquisition. The tract, which includes saltwater tidal creeks feeding into the Nassau River, fronts on the south side of U.S. Highway A1A and is located north of Jacksonville between the towns of Callahan and Yulee. An interchange of Interstate 95 is located approximately four miles east of the northeast corner of the subject property. Over half of the subject property uplands is bisected horizontally by wetlands and creeks, which may have a negative impact on access to the southern portion because it may inhibit access to U.S. Highway A1A, thus forcing the access to the southwest which does not currently have direct access to a primary roadway. Most of the frontage along the creeks consists of wetlands, which prohibit direct access to the creeks from the uplands. There were only a few isolated locations on the subject property that afford direct access to open water. This would limit the benefits of the recreational and scenic influence of these waterways to the uplands.

The maximum approved value, based on appraisals obtained by the SJRWMD of the Four Creeks Forest acquisition, was determined to be \$27,960,000. The purchase price for the 10,221 acres deeded to the State was \$25,085,787 and was split equally between the SJRWMD and the Department. The closing took place on April 27, 2005.

#### Valuation Concerns

According to the appraisal reports dated November 11, 2003, and February 4, 2004, both appraisers were aware of an existing contract for the purchase of the subject property, as well as 2,397 additional acres, referred to collectively as the parent tract, for \$27,400,000. The additional acres appeared to have the best development potential (located only 1.5 miles



from the Interstate 95 interchange with good access) compared to the subject property.

Both appraisers listed the sale of the parent tract in the ownership history section in their reports. However, based on the information in the appraisal reports, it did not appear that the appraisers gave adequate consideration or placed any weight on the seller's contract price for the subject's parent tract. It appeared that the appraisers should have provided a thorough discussion of the contract, the acreage to be retained by the seller, and its relevance to the value of the subject property in the valuation section of their reports.

One appraisal report stated that the highest and best use for the subject property was for mixed single family development with commercial elements at access points on State Road #200 or to be held for speculation, and the other appraisal report stated that the highest and best use was development in the near future for mixed use, multi-parcel development. However, due to the subject property's large size, distribution of uplands and wetlands, access issues, and availability of competing development land, this appeared optimistic, especially for the southern half of the subject property.

Our review also indicated that there was limited discussion of the comparable sales in the valuation analyses of these appraisal reports, which did not appear to fully reflect the superior nature of some of the sales compared to the subject property. Additionally, the appraisers' adjustments appeared to present the subject property's demand for development, water frontage/amenities, and access as being more favorable than may be justified. They appeared to underemphasize the access problems of the southern half of the subject property and the fact that most of the water frontage on the subject property was bordered by extensive tree-covered wetlands.

The higher of the two appraisals, which was the basis for the approved value, identified the subject property fronting on, and having access along, Edwards Road,

which was incorrect. The property adjacent to Edwards Road (1,560 acres located 1.5 miles from the I-95 interchange), which had favorable access and development potential, was retained by the seller. This misinformation, which was not recognized by the review appraisers, may have impacted the appraiser's value estimate.

Based on our review of the analyses of the sales data in the appraisal reports and the value conclusions of the subject property, the approved value of the subject property may have been higher than the market data justified. A greater percentage of the value of the parent tract would likely have been reflected in the value of the land retained by the seller, which had a superior location (closer to Interstate 95, with the southern portion containing extensive uplands directly fronting on the Nassau River), access, higher percentage of uplands on the larger north parcel, and greater development potential as compared to the subject property.

#### Negotiation Documentation

The acquisition and ownership agreement between the SJRWMD and the Department stated, "Once negotiations are complete the District shall provide DSL (Division of State Lands) with a written summary of all negotiations with the seller, including copies of written offers and counteroffers... All negotiations shall comply with the provisions of Section 373.139, F.S. Chapter 40C-9, F.A.C. and all District Acquisition Procedures. The District will maintain appropriate records for each acquisition."

Our review indicated that the negotiation documentation provided to us was incomplete and did not provide adequate support for the acquisition. A summary of offers and one preliminary offer letter to the seller was provided, which represented the period of time up to the original purchase agreement that was approved by the Board of Trustees. However, this documentation did not include any information concerning counteroffers. Subsequent to the original purchase agreement, two amendments were made that included material changes to the price and acreage.

However, although requested, we were not provided documentation of the negotiations between the seller and the District regarding the decrease in price and acreage that occurred between the original agreement and the final agreement.

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**Recommendation:** The Department should ensure that appraisals adequately document consideration of prior subject sales and the value of land retained by the seller in negotiating the price for the subject property. The Department should be more diligent in reviewing appraisal and review appraiser reports to ensure that the appraisal reports are properly prepared and documented. Also, the Department and any joint acquisition participants should comply with terms of the joint acquisition agreements concerning documentation of the negotiation process.

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#### Follow-up to Management Response

*The Secretary, in his response to this finding, stated that the Four Creeks Forest property was only under contract to purchase at the time of the appraisals and the seller did not disclose the contract price, precluding an evaluation of the transaction and value of the land. However, both appraisers referred to the contract in the ownership history sections of the appraisal reports and identified contract prices and acreages that were provided to them by a Department employee. Both appraisal reports indicated that the contracted information had been provided to the Department employee by one of the parties to the contract. Despite this information, no consideration was given to the existence of the contract in the valuation sections of the appraisal reports. While the contract may not have ultimately proved useful in the determination of the fair market value of the Four Creeks Forest property, the valuation sections of the appraisal reports should have discussed whether or not the contract impacted the value conclusions and the basis for such determination.*

*The Secretary further stated that "The audit goes on to point to other factors that might indicate that the appraisers' final estimates of value were too high. In suggesting that the appraised values are high, these auditor opinions appear to favor advocacy for a buyer, that is, the need to buy at the lowest possible price." We noted in our finding that the value estimates in the appraisal reports may have been higher than the market*

*data justified and, therefore, may not have adequately reflected fair market value. While the State may have an interest in acquiring land at the lowest possible costs to the taxpayer, the purpose of an appraisal, and the point of our finding, is a properly documented estimate of fair market value. We did not suggest basing an appraisal on a need to buy at the lowest possible price as stated by the Secretary in his response.*

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#### SCOPE AND OBJECTIVES

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The audit was conducted in accordance with applicable standards contained in *Generally Accepted Government Auditing Standards* issued by the Comptroller General of the United States. Our audit objectives were:

- To document our understanding of management controls relevant to the acquisition and appraisal of properties acquired by the state.
- To evaluate management's performance in administering its assigned responsibilities in accordance with applicable laws, administrative rules and other guidelines.
- To determine the extent to which the Department's management controls promote and encourage the achievement of management's control objectives in the categories of compliance with controlling laws, administrative rules, and other guidelines; the economic and efficient operation of State government; the reliability of financial records and reports; and the safeguarding of assets.
- To identify recommended statutory and fiscal changes that may be included in the audit report and subsequently reported to the Legislature pursuant to Section 11.45(7)(h), Florida Statutes.

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**METHODOLOGY**

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The methodology used to develop the findings in this report included the examination of pertinent records associated with land acquisitions by the Department.

Our audit included examinations of various transactions (as well as events and conditions) occurring during the period January 1, 2004, through June 30, 2006.

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**AUTHORITY**

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Pursuant to the provisions of Section 11.45, Florida Statutes, I have directed that this report be prepared to present the results of our operational audit.

*William O. Monroe*

William O. Monroe, CPA  
Auditor General

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**MANAGEMENT RESPONSE**

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In a letter dated September 18, 2007, the Secretary provided responses to our preliminary and tentative findings. This letter is included in this report as Appendix A.

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This audit was conducted by Mark Hesoun. Please address inquiries regarding this report to James M. Dwyer, CPA, Audit Manager, via e-mail at [jimdwyer@aud.state.fl.us](mailto:jimdwyer@aud.state.fl.us) or by telephone at (850) 487-9031.

This report, and other audit reports prepared by the Auditor General, can be obtained on our Web site at <http://www.myflorida.com/audgen>; by telephone at (850) 487-9024; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

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APPENDIX A



Florida Department of  
Environmental Protection

Marjory Stoneman Douglas Building  
3900 Commonwealth Boulevard  
Tallahassee, Florida 32399-3000

Charlie Crist  
Governor

Jeff Kottkamp  
Lt. Governor

Michael W. Sole  
Secretary

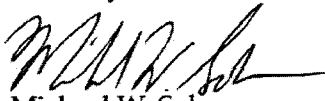
September 18, 2007

Mr. William O. Monroe  
Auditor General  
G74 Claude Pepper Building  
111 West Madison Street  
Tallahassee, Florida 32399-1450

Dear Mr. Monroe:

Enclosed is the Department's response to the preliminary and tentative findings on the Land Acquisition Operational Audit. Thank you for the opportunity to review and comment on this audit report. If you have questions or require additional information, please contact Joseph Aita, Director of Auditing, at (850) 245-3170.

Sincerely,



Michael W. Sole  
Secretary

Enclosures

MWS/PGH/lsa

CC: Bob Ballard, Deputy Secretary for Land and Recreation  
Deborah Poppell, Acting Director, Division of State Lands  
Joseph Aita, Director of Auditing

**DEPARTMENT OF ENVIRONMENTAL PROTECTION**  
**OFFICE OF INSPECTOR GENERAL**  
**AUDIT FINDINGS TRACKING REPORT**  
Department of Environmental Protection – Land Acquisition - Operational Audit  
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**FINDING NUMBER 1:**

Documentation supporting the Babcock Ranch acquisition gave an appearance of influence of the appraisal amounts by the Department in the establishment of value estimates of contracted fee appraisers.

**RECOMMENDATION:**

The Department should assure that documentation in its acquisition files is dated and signed by the preparer. Additionally, to avoid any appearance of influence on the appraisal amounts, the documentation should clearly show that any updates or appraisal addendums were based on value estimates made in an unbiased and independent environment by the fee appraisers.

**DIVISION:**

State Lands

**RESPONSE:**

The Department does not direct or influence the contracted fee appraiser's opinion of value. To avoid any appearance of influence, the Bureau Chief of Land Acquisition has, as a result of preliminary meetings with Auditor General staff, instituted policies to ensure negotiation information is properly documented. A telephone communication log has been created and is used when speaking with landowners and their representatives. A negotiation strategy must be approved before negotiations start and all offers must be in writing

Appraisal updates or new appraisals are obtained when market conditions indicate that they are justified, either for rising or declining values. In cases where negotiations are unsuccessful due to an owner's higher price expectation, an option the Department sometimes considers is to consult with the original appraisers prior to ordering an update or new appraisal to find out if new sales have occurred showing a supportable change in the market. In the case of Babcock, new sales occurred in that period of rapidly increasing prices and appraisal updates were obtained by the Department due to the importance of the acquisition. If there is not an indication of a changing market, the Department would not order an update or new appraisal.

The unsigned document referenced in this finding contained internal notes that summarized ideas from meetings and did not represent the Department's strategy. It was not provided to the fee appraisers. The appraisers certify in their reports that:

- they have no present or prospective interest in, or no bias with respect to, the property that is the subject of the report, and they have no personal interest or bias with respect to the parties involved;
- their engagement in the assignment was not contingent upon developing or reporting predetermined results; and

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- their compensation for completing the assignment was 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 the stipulated result, or the occurrence of a subsequent event directly related to the intended use of the appraisal.

In response to the findings, both appraisers submitted letters re-affirming that the appraisals were conducted without bias and not under any influence from the Department. One appraiser further stated that he had no knowledge about the status of the Babcock negotiations.

The Auditor General recommends that the documentation show value estimates are made in an unbiased and independent environment by the fee appraisers. The certification in each appraiser's appraisal update contains this affirmation. The certification documentation is included in each appraisal that the Department obtains.

The report suggests that the size of the sales used in the valuation in comparison to the subject creates uncertainty as to the validity of the value conclusion. However, there is no evidence that other sales or data were available or appropriate to use. Appraisers must use what sales have occurred which are most similar to the subject. In the case of Babcock, there were no sales as large as Babcock. The appraisal process allows for the dissimilarities in comparable data through the adjustment process. Both appraisers recognized that the large size of Babcock was the most distinguishable characteristic that differentiated it from other sales properties and both considered it in their analysis. As discussed in one appraisal report, the market takes into account many factors when considering large tracts, some of which eliminate the impact on price caused by size alone, such as:

- the flexibility of large ownerships with diverse locations, soils, and topographical features which enhance agricultural, recreational and rural residential uses
- large contiguous agricultural operations benefit from economies of scale
- large single ownership tracts rarely come on the open market
- large tracts are difficult, if not impossible, to assemble, but are easy to divide and sell off in today's market
- large tracts allow for continued agricultural use and a phased approach to rural residential or other types of development

In response to the audit finding, one appraiser commented that it was fortunate to have a sale as large as 27,410 acres for analysis. This comment reflects the fact that appraisers are limited to using the market data that is available. The sales in the updated report showed no measurable price difference amongst themselves for size, even with one sale roughly four times larger than the other two. However, in recognizing the much larger size of Babcock, the appraisers did consider and apply an appropriate adjustment for size. As indicated in the finding, the review appraiser did have initial concerns about how the appraisers analyzed the sale data concerning size; however, the appraisers adequately responded and revised their reports and thus the review

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appraiser approved the reports. Both appraisers conducted an in-depth analysis of the affect on the size of the sales in comparison to Babcock and reflected the market support in their value conclusions. Based on this information, the Department is of the opinion that the size of the sales was adequately addressed.

The finding comments about the increase in value of 43% from the original appraisal date in July 2004 to the updated appraisal in September 2005 for the agricultural land. This increase reflected the rapidly increasing prices from 2002 through 2005 which was also happening throughout Florida and the country. In the original appraisal, local market data was analyzed from 2002 to 2004 and one appraiser indicated appreciation rates from 24 to 72% annually and the other appraiser estimated appreciation from 20 to 60% annually. One resale of the same property in nearby Highlands County showed an increase in price of roughly 60% annually over a four-year period. In the update, one appraisal included evidence of a 20% annual appreciation based on a sale which also included an option to purchase an additional 18,000 acres at a 20% appreciation rate. All of the sales in the appraisal update were within the same year as the date of value and all after the original date of value; hence, the prices were very current and reflective of the subject's value. Overall, the subject's value increase was within the range of the market evidence and was well supported with newer, more current sales data. Thus, the Department's conclusion was the increase in value is justified and supported by the market data.

**FINDING NUMBER 2:**

In accepting a \$2,100,000 increase in the approved value for the Norfolk Southern acquisition, the Department relied on appraised values based on a hypothetical condition that was demonstrated in the appraisal reports to be unlikely to occur. Further, Department records should document consideration of the impact of the City of Jacksonville's decision to pay an additional \$5,116,000 for the property on the State's decision to pay the entire maximum amount (\$8,400,000).

**RECOMMENDATION:**

The Department should review the support for any hypothetical conditions contained in appraisal reports and clearly evidence the basis relied upon in accepting appraisal reports that contain such conditions, particularly when evidence contained in the appraisal report clearly indicates that the hypothetical condition is unlikely to occur. Further, Department records should document consideration of the impact of the City's decision to pay an additional \$5,116,000 for the property on the State's decision to pay the entire maximum amount (\$8,400,000).

**DIVISION:**

State Lands

**RESPONSE:**

The Department agrees with the recommendation regarding hypothetical conditions and it is currently in effect. Prior to this audit being initiated, the Department, through the Bureau of Appraisal in July 2005, recognizing the ramifications and importance of the use of either



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hypothetical conditions or extraordinary assumptions, required that the use of them by a contracted appraiser be pre-approved by the Bureau.

Documentation and disclosure regarding the City's payment of an additional \$5,116,000 above the state's maximum approved value is in the Board of Trustee's September 7, 2005 Agenda Item #7. It should be noted that City of Jacksonville independently decided to pay additional monies for the property, demonstrating the importance of the acquisition to the City. The state's costs did not exceed the state's maximum approved value pursuant to statute. The Department strongly agrees that every effort should be made to avoid paying more than a property is worth. The City's decision to pay the additional money for the property was based on an appraisal that the City had obtained prior to the State's involvement in the project. A copy of that appraisal was provided to the Department and upon review, the Department found deficiencies in the city's appraisal. The City's appraisal had a market value in excess of \$16,000,000, but was not relied upon by the State. The City's decision was made with a full knowledge of the Department's approved value.

To further clarify the appropriate use of hypothetical conditions, as used in the appraisals, there is an allowable provision of the "Uniform Standards of Professional Appraisal Practice", (USPAP) as follows:

**"Standard Rule 1-2 In developing a real property appraisal, an appraiser must:  
(g) identify any hypothetical conditions necessary in the assignment."**

USPAP then goes on with the following clarification:

"A hypothetical condition may be used in an assignment only if:

- use of the hypothetical condition is clearly required for legal purposes, for purposes of reasonable analysis, or for purposes of comparison;
- use of the hypothetical condition results in a credible analysis; and
- the appraiser complies with the disclosure requirements set forth in USPAP for hypothetical conditions."

This provision was appropriately used in full compliance with the above description and with a complete understanding by Department staff.

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**FINDING NUMBER 3:**

Inconsistencies and deficiencies in the highest and best use analyses and conclusions of appraisals for the Overstreet Ranch and Tiger Island acquisitions may have impacted the value estimates for those parcels.

**RECOMMENDATION:**

The Department should exercise greater oversight of appraisal reports to ensure that appraisers' highest and best use analyses and conclusions, as well as valuation analyses, are accurate, thorough, reasonable, and supported by relevant market data.

**DIVISION:**

State Lands

**RESPONSE:**

The Department agrees that oversight of the appraisal process and appraisal reports is vital and important to ensure that a fair and reasonable price is paid for acquisitions. The Uniform Standards of Professional Appraisal Practice (USPAP) require an appraiser to conduct an appraisal which is accurate, thorough, reasonable and supported by relevant market data as indicated by the Audit finding. As part of the quality control process in the oversight of the appraisal reports, the Department hires an independent fee appraiser to review those appraisal reports with a value conclusion above \$500,000. The review is conducted conforming to Standard 3 of the USPAP. The review appraiser prepares a report indicating the acceptability of the appraisal and its conformity to the USPAP.

The Bureau of Appraisal closely monitors and manages the appraisal and review process. In most cases, three staff members read the review report and request clarifications, modifications, additional support and/or revisions from the appraiser and/or the review appraiser. In the cases cited in this finding, upon completion of the quality assurance process, the review appraiser and the Bureau of Appraisal staff determined that the appraisals were acceptable.

Therefore, the Department respectfully disagrees with the opinion that there is insufficient oversight of the appraisal reports.

**Overstreet Ranch:**

The valuation section of both appraisals analyzes only sales from Florida and within the real estate competitive market for the subject including the following counties: Polk, Hardee, Sumter, Lake, Lee, Sarasota, Glades, Marion, and Highlands.

The subject is a large agricultural and mining parcel. Only large agricultural tracts were used in the sales comparison approach. The subject is zoned agricultural and the sales analyzed have agricultural or rural zoning. The valuation is not based on any change in zoning or land use and

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does not require approval from the Department of Community Affairs as the finding indicates. The audit finding focuses mainly on one appraisal report which conducts a feasibility analysis of a proposed subdivision in the highest and best use section. The proposed subdivision is unique in that it mirrors a conservation-type community but also includes amenity features including a golf course, hunting area, riding trails and a paddock/equestrian area. All residential lots are to open onto open space or conservation areas. The appraiser referenced a similar type community out-of-state and its success. This reflects the nationwide trend to more conservation friendly development practices; however, contrary to what is indicated in the audit finding, the appraiser used local data and sources in the feasibility analyses and the valuation section. One such source is a local broker and developer for 25 years in Polk County, where the subject is located, and is a valuable source of local market activity. Again, the sales comparison approach has sales only from Florida.

The second appraisal report does not conduct a feasibility analysis of a subdivision development like the first appraisal, although it does contain a feasibility analysis on continuing and expanding the mining operation on-site. This appraisal also uses local and regional data for the feasibility of the mining operation in the highest and best use section. Both appraisals conduct a more in-depth analysis in the highest and best use section than is done in most other appraisal reports. Specific sales data is not required in the highest and best use section because it does not serve as the primary means of analysis on valuation.

**Tiger Island:**

The audit report indicates that better comparable sales of islands were readily available at the time these reports were prepared, yet, none were presented in the finding. Also, the audit report does not recognize the regional and neighborhood data in the appraisal reports that give strong evidence of investor market activity. Please note the following:

- Appraisers can only utilize actual market data and their primary job is to sort and analyze the data available in order to use those sales considered most similar to the subject. There was a lack of similar island sales in the market; thus it is acknowledged that other sales had to be used which were less similar to the subject. Appraisal standards allow for consideration of such sales and require adjusting for the dissimilarities based on market data and the appraisers' opinion.
- The appraisers' highest and best use analysis was thorough and focused on the inappropriateness of the owner's proposed subdivision for the acquisition parcel. In doing so, as the finding indicates, the appraisers identify many difficulties in developing as the owner suggests. Thus, one appraiser concluded purchases for speculative investment as future development and the other appraiser concluded only a few homes would likely be developed. While the finding suggests that no residential development is likely, this is not the appraisers' opinion.

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**FINDING NUMBER 4:**

There was lack of documentation of the Department's appropriate consideration of the prior sale, the value estimates in the appraisal reports, and the negotiation process of the Three Rivers acquisition.

**RECOMMENDATION:**

The Department should ensure that appraisals adequately document consideration of prior subject sales and the value of land retained by the seller in negotiating the price for the subject property. The Department should be more diligent in reviewing appraisal and review appraiser reports to ensure that the appraisal reports are properly prepared and documented. Also, the Department and any joint acquisition participants should comply with terms of the joint acquisition agreements concerning documentation of the negotiation process.

**DIVISION:**

State Lands

**RESPONSE:**

The Department agrees with the recommendation that prior sales of a subject property be considered. In fact, appraisal standards require such. However, in the case of the Four Creeks Forest acquisition, the property was only under contract to purchase (the party who would sell to the state did not yet own the property as of the appraisal date). The seller would not disclose and did not provide a copy of the contract and had no obligation to as the contract was between two private parties. Thus, there was no previous sale or reliable information regarding the sale to be considered by the appraisers.

This recommendation indicates that the land to be retained by the seller should have been considered by the appraisers; however, the appraisals were not intended to provide valuation of land being retained by the seller and was not included as part of the subject property. Again, the seller did not disclose the contract price regarding their transaction; therefore, an evaluation could not be made on that transaction or the value of the land to be retained with any certainty.

The recommendation is that the Department and any joint acquisition participants should comply with terms of the joint acquisition agreements concerning documentation of the negotiation process. The Department's file for the Four Creeks Forest acquisition does include a negotiation summary and a written offer from the St. John's River Water Management District. The Department will be diligent in monitoring and enforcing the provisions of joint acquisition agreements.

Before the Valuation Concerns section presented in the audit, an apparent general concern is discussed relative to the location across this large 10,221 acre tract of an area of wetlands and creeks that bisect the tract horizontally in addition to some logistical access problems. It should be pointed out that these facts were completely understood by the appraiser. In addition, however, the concerns described are common to properties with similar proximity to water.

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The Department agrees that it appeared the appraisers should have provided thorough discussion of these contracts between the private parties. There were several unsuccessful attempts to verify relevant facts. This is a very common problem encountered by all appraisers. In fact, sometimes even principals of closed sales, let alone those with pending contracts, are unwilling to discuss their transactions with appraisers. This could prevent a similar property sale from being used as a reliable indication of market value.

The audit goes on to point to other factors that might indicate that the appraisers' final estimates of value were too high. In suggesting that the appraised values are high, these auditor opinions appear to favor advocacy for a buyer, that is, the need to buy at the lowest possible price. This would not be in keeping with the USPAP Ethics Rule, which specifically states, "In appraisal practice, an appraiser must not perform as an advocate for any party or issue." Appraisals must be the unbiased opinions of the appraiser.

Evidence of market demand for the subject type of property is presented in the regional area and neighborhood descriptions as well as comments found throughout the appraisal. In this particular case, it is the Department's opinion that the audit did not provide consideration of the amenity factors contributing to demand for development with proximity to tidal marsh areas particularly around Jacksonville. The reports provide complex comparisons of the sale properties to the subject property. The appraisals justify their conclusions.

The error in one report regarding access along Edwards Road is acknowledged. The appraiser submitted a letter indicating that he was fully aware of and recognized in his valuation, that the subject did not have access along Edwards Road. Thus, the final value was not affected.

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