

# Ag Risk Economic Evaluation Consulting Assignment Plan

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July 7, 2014

## Introduction

The FM Area Diversion Project includes a 20,000 cubic feet per second, 36-mile long, 1,500 foot-wide diversion channel with 32,500 acres of upstream staging. This plan was chosen after years of diligent study, public input and joint cooperation between the city of Fargo; the city of Moorhead; Cass County, North Dakota; Clay County, Minnesota; the Joint Cass Water Resource District; and the Buffalo-Red River Watershed District. The FM Area Diversion Project would reduce a 100-year flood event from 42.4 feet to 35 feet at the Fargo gage. For reference, the 2009 flood of record peaked at 40.8 feet. Though not designed to prevent a 500-year flood event, the FM Area Diversion Project would give the area a chance by reducing the river level in Fargo from 46.7 feet to 40 feet during a 500-year event.

The Project includes 150,000 acre-feet of upstream staging. The staging area would only be used for flood events exceeding a 10-year event, or a 35-foot event in Fargo. The project impacts, including the impacts associated with the staging area will require mitigation. For farmlands in the staging area, the mitigation plan outlined in the Feasibility Study prepared by the US Army Corps of Engineers (USACE) requires purchase of a flowage easement. The flowage easement proposed by USACE is intended to be a one-time payment made to the property owner at the time the easement is obtained. The flowage easement is intended mitigate for all farmland impacts.

The Diversion Authority has also considered providing additional mitigation through development of a crop insurance product for producers in the staging area. The general crop insurance concept is that the Diversion Authority would offer a supplemental crop insurance product when the federal crop insurance program does not apply, which could occur when the project operates. The intent is that a crop insurance program would complement the flowage easements to collectively mitigate ag risks associated with the project. A table summarizing the ag risk mitigation concepts is presented below.

Several other questions and answers related to farmland impacts and mitigation associated with the staging area can be found at: <http://www.fmdiversion.com/faqsstagingstorage.php#FEMARecovery>

## Example Ag Risk Mitigation Concept:

Ag Impacts	Mitigation Method	
	USACE Model	Proposed Diversion Authority Model
X	Flowage Easement	Flowage Easement
Y	Flowage Easement	Flowage Easement
Z	Flowage Easement	Crop Insurance

**Primary Question:** Would a supplemental crop insurance program change the cost/value of a flowage easement?

**Strategy to Answer this Question:** Retain an economic analyst or appraiser to conduct a 'Consulting Assignment' involving a before and after appraisal of farmland in the staging area.

- Issue an RFP via public advertisement in The Forum legal section and on the project website ([www.fmdiversion.com](http://www.fmdiversion.com))
- Appraise at least three properties in various locations in the staging area (ideally on DA or other publicly owned land).
- The "after" appraisal will be conducted with and without an assumed supplemental crop insurance program offered by the DA.
- Appraisal results would identify "benchmarked" values of flowage easements with and without the supplemental crop insurance. The results will be *"benchmarked" to a nominal value since the actual value of a flowage easement is not relevant today.*
- For the purposes of the 'Consulting Assignment', the supplemental crop insurance program would mirror federal crop insurance.
- The results could be used to determine if providing crop insurance would reduce flowage easement value.
- The results would help formulate an Ag Risk Reduction Policy for the Diversion Authority.
- Results of the 'Consulting Assignment' will be reviewed by the Admin Advisory Team, or a subset group.
- The results of the study could be available for presentation for the 2015 ND Legislative session.

### **Proposed Schedule for the Consulting Assignment**

1. Approval to produce Draft RFP from Finance Committee (July 9)
2. Draft RFP for Ag Risk Economic Evaluation Consulting Assignment
3. Present the Draft RFP to Admin Advisory Team (July 17)
4. Present the Draft RFP to Chairman Vanyo and Rodger Olson (July 21)
5. Discuss the Draft RFP with the Ag Policy Sub-Committee (late July)
6. Attorney and staff review of Draft RFP
7. Present the Final RFP and seek authorization to proceed from Land Management Committee and Diversion Authority (August 14)
8. Advertise for Proposals (The Forum and [fmdiversion.com](http://fmdiversion.com)) (August 18, 25 and Sept 1)
9. Receive Proposals (Sept 8)
10. Present recommendation of award to Land Management Committee and Diversion Authority (Sept 11)
11. Issue Notice to Proceed to Consultant (Sept 12)
12. Draft study results due (Nov 17)