



**DIVERSION AUTHORITY
Land Management Committee
City Commission Room
Fargo City Hall
Wednesday, October 7, 2015
4:00 p.m.**

1. Agenda review
2. Approve September 9, 2015 minutes
3. Property Acquisition & Relocation Details
4. CCJWRD Land Management Report
5. Hardship Property Option Agreement
6. Farmland Management Update (Report from Pifer's)
7. November & December Meeting Schedules
8. Other Business
9. Next meeting Tuesday, November 10, 2015

**DIVERSION AUTHORITY
Land Management Committee
City Commission Room
Fargo City Hall
Wednesday, September 9, 2015
4:00 p.m.**

Present: Fargo Mayor Tim Mahoney, Moorhead City Council Member Heidi Durand, Cass County Commission Representative Darrell Vanyo, Cass County Joint Water Resource District Representative Rodger Olson (via conference call), Buffalo-Red River Watershed District Representative Gerald Van Amburg, Fargo City Commission Representative Dave Piepkorn, Cass County Administrator Keith Berndt, Moorhead City Manager Michael Redlinger, Fargo Director of Engineering Mark Bittner, Moorhead City Engineer Bob Zimmerman, Fargo City Engineer April Walker (alternate).

Others present: Eric Dodds - AE2S, Mark Brodshaug - Cass County Joint Water Resource District, Lyndon Pease - Moore Engineering, Bruce Spiller - CH2M Hill, Bruce Grubb - Interim Fargo City Administrator.

Agenda Review

There were no additions or amendments to the agenda.

Approve August 13, 2015 Minutes

Bob Zimmerman moved the minutes from the August 13, 2015 meeting be approved. Darrell Vanyo seconded the motion. All the members voted aye and the motion was declared carried.

Committee Charter

Darrell Vanyo said in the Finance Committee meeting held earlier, there was discussion about Charter Item "i" and appointing a stand-in for a meeting. He said it was suggested that the Charter clarify that a stand-in/replacement for a member be from the same agency as the member.

Darrell Vanyo moved the Committee Charter be approved, including a change to Item "i" Attendance, stating that a stand-in be from the same agency as the member. Dave Piepkorn seconded the motion. All the members voted aye and the motion was declared carried.

Property Acquisitions

Eric Dodds shared summaries for five homes in Oxbow. The Finance Committee approved the acquisitions as presented, he said; however, they requested additional information substantiating how the dollar figures were arrived at. He said one explanation on the calculations may prove sufficient or it may be decided that such detail would continue to be furnished. He said the acquisitions discussed today are as follows: 341 Schnell Drive - \$1,094,521.00; 805 Riverbend Road - \$881,158.00; 317 Schnell Drive - \$1,121,726.00; 330 Schnell Drive - \$452,710.00; and 329 Schnell Drive - \$1,087,247.00.

Darrell Vanyo said the Finance Committee requested more details for Items "B, Replacement Home Cost," "C, House to Home," and "D, Project Required Costs" for future acquisitions. He said the Finance Committee discussion was helpful for him in clarifying that Item "B, Replacement Home Cost" does not depend on a contractor's price based on what the homeowner wants. Rather, he said, it takes what the existing home is and puts it into a formula of today's construction dollars. He said having it done as a computation provides consistency and he feels the group will become more comfortable with what is included in Item "B, Replacement Home Cost;" Item "C, House to Home;" and Item "D, Project Required Costs" as each are looked at in more detail.

Eric Dodds said Item "C" relates to converting items in a replacement house to items that will make it a home, such as window treatments, wall coverings, landscaping, etc. He said Item "D" includes extras like associated building permits, burying propane tanks to meet covenants, utility connections and the like.

Dave Piepkorn pointed out the acquisition at 341 Schnell Drive was assessed at \$192,500.00, yet is being bought out for \$1,094,521.00. Fargo taxpayer money and North Dakota funds are being used for the purchases, he said, and he feels such high payouts are obscene. It seems like someone is getting rich off this, he said, and he cautioned that acquisitions should not continue to be done this way. He doesn't have a solution, he said; however, he feels such huge payouts are indefensible.

Keith Berndt acknowledged that for whatever reason there is a problem with the assessments in Oxbow and that they may be a fraction of the value; however, he said, those assessments have nothing to do with the purchase price. He suggested that Commissioner Piepkorn be involved with the negotiating team.

Eric Dodds said in order to participate in a federal program, the Diversion Authority is required to provide those displaced with a comparable replacement house.

Bruce Spiller said the displaced property owner is not getting money, only a replacement home.

April Walker said she could provide background information about what the City of Fargo went through with buyouts in Ridgewood when dealing with the federal process. She said it was not uncommon to pay 20-30% more than the value of the home to get homeowners into replacement housing.

In response to a question from Heidi Durand about whether there could be any way to correct the problem that seems to stem from appraised values, Mr. Vanyo said there would be difficulty in getting anything changed due to its current state, which includes the ring levee plus the injunction. He said if the Cass County Board of Equalization were to take any action it would have to be applied across the board for everyone in the same jurisdiction. An outside assessor was hired to assess the entire City of Kindred in 2008 or 2009 with the same planned for Oxbow; he said. After it became a reality that the entire City of Oxbow would be in the staging area, it was not assessed, he said, and later Oxbow requested a 20% reduction.

Mark Bittner said it seems like a replacement cost appraisal should factor in all the same things that would be considered in an assessment. He said it appears there is a lot added in on top of the purchase agreement amount based on appraisal.

In response to a question from Mark Bittner about what the assessed value will be when a home gets replaced for a million dollars, Mr. Berndt said the value could be something like 80%, quite possibly not a full 100%. A house that costs a million dollars to build, particularly one in a rural area, may not draw its full construction cost when sold, he stated.

In response to a question from Heidi Durand about whether any newly built replacement houses have been assessed, Mr. Berndt said he is not aware of any that have been placed on the tax rolls yet.

(Conference call connection with Rodger Olson lost)

Keith Berndt moved to approve the acquisition of the five properties as outlined in the FM Area Diversion Project Property Acquisition Summary. Second by Bob Zimmerman. Members Berndt, Zimmerman, Vanyo, Van Amburg, Redlinger, Bittner and Mahoney voted aye. Piepkorn and Durand voted nay, and the motion was declared carried.

(Keith Berndt absent)

CCJWRD Land Management Report

Mark Brodshaug said Habitat for Humanity has been successful in removing many articles from Park East to reuse and the Fire Department will perform training there prior to demolition. He said three of the five homes in Oxbow that were on hold since the injunction have been able to break ground and there are some more appraisals expected back from the Corps. He said the agreement with Oxbow was that, rather than relocating the entire City, Oxbow would be protected and replacement homes would be provided for those forced out of their homes. He said it is expensive to build something new to replace something old. He agrees with Commissioner Piepkorn that an eye has to be kept on costs, he said; however, the rights of the private property owner and the project's schedule are also important. Things are moving ahead in Oxbow, he said, with some of the houses getting sod and finishing touches so it looks more residential and less like a disaster area/construction zone. Critical in-town property negotiations continue with Fargo Public Schools, Mid-America Steel, Case Plaza and Kilbourne Group, he said, and Interim Fargo City Administrator Bruce Grubb will be involved with the negotiating team.

(Conference call connection with Rodger Olson re-established)

In response to a question from Heidi Durand about whose responsibility it is to see that property and vacant lots are mowed, Mark Brodshaug said Coldwell Banker Property Management has been managing the properties for both the Diversion Authority and the Cass County Joint Water Resource Board (CCJWRD). Coldwell Banker has been sold, he said, and the new owner does not want to continue the commitment, so CH2M Hill plans take on the task of locating service providers who will then contract with CCJWRD. The injunction caused some problems this year, he said, particularly when it

came to managing weeds. He said if there are questions or problems that arise, they can be referred to himself or Eric Dodds.

Right of Entry and Cultural Resources and Survey Activity Update

Lyndon Pease said access will pick up now with harvest wrapping up. Soil borings have resumed along the diversion channel from around County Road 20 to close to the diversion inlet structure, he said. Ongoing river and stage discharge surveys being conducted by the USGS could be wrapped up by month end, he said, and soil boring surveys are also being conducted in the staging area along the embankment and the I-29 road raise. He said some Cultural Resources Phase 1 studies that were rescheduled due to excess spring moisture will begin this fall in the staging area.

Meeting Frequency

Mayor Mahoney said that there may be a need for additional meetings, depending on the timing of acquisitions coming forward. If needed, he said, a second meeting may be scheduled during a month.

Other Business

Darrell Vanyo moved the meeting be adjourned. Bob Zimmerman seconded the motion. All the members present voted aye and the motion was declared carried.

The meeting adjourned at 4:42 p.m.

The next meeting will be Wednesday, October 7, 2015 at 4:00 p.m.



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877.700.4099 • 218.477.1968

www.pifers.com

October 2, 2015

Cass County Joint Water Resource District

Pifer's Land Management Report Year to Date

2015 has been challenging for our tenants. The spring started out with excellent conditions for spring planting. Planting got underway and most crops were planted in a timely manner. Rain came timely during the year with some excess in the spring which hampered spraying in weed control. The summer progressed with excellent growing conditions, crops continued to progress and mature. Late summer we entered a dry cycle which had some effects on the development of the soybean and corn. Small grains were excellent and we are hearing of some reports of outstanding yields at this time. The markets continue to struggle to rebound as they are down roughly 20 to 30 percent from 2014. This will definitely impact the end of year revenue for the farmers with flex leases and share crop leases with the CCJWRD.

We have included the Profit and Loss statement for 2015 YTD summary and detail breakdown per tenant along with the Balance Sheet YTD. These reports include all the revenue YTD as of October 1, 2015.

Revenue to be collected for 2015 is as follows:

- Kevin and Pamela Heiden - \$8650.00 (full rent for 2015)
- Patrick Hurley - \$2886.00 (50% of 2015 rent)
- Keith Monson – balance of flex leases based on production and commodity price
- Wayne Hogleund - balance of flex leases based on production and commodity price
- Wayne Hogleund – crop share lease, based on production and commodity price

Financial recap based on the rent received as follows:

Rental Income	\$241,034.20
Management Fee	(19,282.73)
Withholding for RE Taxes	(42,150.55)
5% withholding for misc. operating and misc. expense	(12,207.94)
2014 RE Taxes paid	(25,532.38)
Misc Bank Fees	<u>(88.01)</u>
	\$141,828.52
Add back cash for RE Taxes and 5% withholding	<u>54,358.49</u>
Net Income	\$196,187.01

The balance sheet shows a current balance in the Checking Account of \$54,358.49. This amount is retained for 2015 Real Estate Taxes, (\$42,150.55 estimate), the balance (5% +/-) is withheld per outlined in our management contract with the Diversion Authority. We expect to pay all Real Estate Taxes in 2015 for land under management except the Volk property in Clay County, Minnesota and the JCB's property next to Oxbow, North Dakota.

Pifer's Land Management has dispersed the above amount to the Metro Flood Diversion Authority during the year as rent was collected.

We are in the process of renewing rental contacts here at Pifer's. Rental rates for renewed contracts are down 10 to 15 percent from 2014 rental rates. This is largely due to the commodity price decline and the softening of land values within the region. The only contracts that will expire in 2015 are with Patrick Hurley, Mark Hiatt and Stuart Johnson. Our approach with these individuals is to try to hold the rental rates within 5% of the current rate.

Sincerely,



Dwight Hofland
Senior Land Manager
The Pifer Group, Inc.

10:39 AM

10/02/15

Cash Basis

Diversion Authority - New

Profit & Loss

January through September 2015

	Jan - Sep 15
Ordinary Income/Expense	
Income	
Rental Income	241,034.20
Total Income	241,034.20
Cost of Goods Sold	
Pifers Commission	19,282.73
Total COGS	19,282.73
Gross Profit	221,751.47
Expense	
Bank Fees	32.08
Real Estate Taxes	25,532.38
Total Expense	25,564.46
Net Ordinary Income	196,187.01
Net Income	196,187.01

7:29 AM
10/02/15
Accrual Basis

**Diversion Authority - New
Profit & Loss
January 1 through October 2, 2015**

	Admin	Brent Rust	Brian Rust Farms	Hlatt Farms	Hurfey Farms	Monson Farms	Stuart Johnson	Ueland Farms	Wayne Hoglund	TOTAL
Ordinary Income/Expense										
Income										
Rental Income	0.00	83,936.00	17,234.00	35,051.80	2,864.00	31,362.00	18,698.40	21,500.00	30,388.00	241,034.20
Total Income	0.00	83,936.00	17,234.00	35,051.80	2,864.00	31,362.00	18,698.40	21,500.00	30,388.00	241,034.20
Cost of Goods Sold										
Pifers Commission	0.00	6,714.88	1,378.72	2,804.14	229.12	2,508.96	1,495.87	1,720.00	2,431.04	19,282.73
Total COGS	0.00	6,714.88	1,378.72	2,804.14	229.12	2,508.96	1,495.87	1,720.00	2,431.04	19,282.73
Gross Profit	0.00	77,221.12	15,855.28	32,247.66	2,634.88	28,853.04	17,202.53	19,780.00	27,956.96	221,751.47
Expense										
Bank Fees	29.70	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	29.70
Real Estate Taxes	0.00	11,094.78	1,867.42	3,216.22	639.84	1,585.37	0.00	5,172.05	1,956.70	25,532.38
Total Expense	29.70	11,094.78	1,867.42	3,216.22	639.84	1,585.37	0.00	5,172.05	1,956.70	25,562.08
Net Ordinary Income	-29.70	66,126.34	13,987.86	29,031.44	1,995.04	27,267.67	17,202.53	14,607.95	26,000.26	196,189.39
Net Income	-29.70	66,126.34	13,987.86	29,031.44	1,995.04	27,267.67	17,202.53	14,607.95	26,000.26	196,189.39

10:39 AM

10/02/15

Cash Basis

**Diversion Authority - New
Balance Sheet
As of September 30, 2015**

	Sep 30, 15
ASSETS	
Current Assets	
Checking/Savings	54,358.49
Diversion Trust Account	54,358.49
Total Checking/Savings	54,358.49
Total Current Assets	54,358.49
TOTAL ASSETS	54,358.49
LIABILITIES & EQUITY	
Equity	
Diversion Auth Distribution	-319,159.11
Retained Earnings	177,330.59
Net Income	196,187.01
Total Equity	54,358.49
TOTAL LIABILITIES & EQUITY	54,358.49

November and December Meetings Schedule

October 5, 2015

“Normal” Schedule

November 2015						
S	M	T	W	R	F	S
1	2	3	4	5	6	7
8	9	10	11 Outreach Finance Land Veteran's	12 CCJWRD DA Board	13	14
15	16	17	18	19	20	21
22/29	23/30	24	25 Finance Land	26 Thanks- giving	27	28

December 2015						
S	M	T	W	R	F	S
		1	2	3	4	5
6	7	8 ND Water	9 ND Water Outreach Finance Land	10 ND Water CCJWRD DA Board	11	12
13	14	15	16	17	18	19
20	21	22	23 Finance Land	24 Christmas Eve	25 Christmas Day	26
27	28	29	30	31 New Year's Eve		

Conflicts/Holidays

- Veteran's Day, Wednesday, Nov 11
- Thanksgiving, Thursday, Nov 26
- ND Water Convention, December 8-11
- Christmas Eve, Day, December 24, 25

“Proposed” Schedule

November 2015						
S	M	T	W	R	F	S
1	2	3	4	5	6	7
8	9	10 TAC Outreach Finance Land	11 Veteran’s Day	12 CCJWRD DA Board	13	14
15	16	17	18	19	20	21
22	23	24	25 Finance? Land?	26 Thanks- giving	27	28
29	30					

December 2015						
S	M	T	W	R	F	S
		1	2	3	4	5
6	7	8 ND Water	9 ND Water	10 ND Water	11	12
13	14	15	16 Outreach? Finance? Land?	17 CCJWRD DA Board?	18	19
20	21	22	23 Finance? Land?	24 Christmas Eve	25 Christmas Day	26
27	28	29	30	31 New Year’s Eve		

GREEN = Proposed

GOLD = Potential