

**DIVERSION AUTHORITY
Land Management Committee
City Commission Room
Fargo City Hall
Wednesday, January 11, 2017
3:00 p.m.**

Present: Cass County Commission Representative Mary Scherling; Clay County Commission Representative Kevin Campbell; Clay County Commission Representative Jenny Mongeau; Fargo City Administrator Bruce Grubb; Fargo Division Engineer Nathan Boerboom; Cass County Joint Water Resource District Representative Rodger Olson.

Others present: Eric Dodds - AE2S; Mark Brodshaug - Cass County Joint Water Resource District (CCJWRD); Joe Herbst - AE2S.

Absent: Moorhead Mayor Del Rae Williams; Moorhead City Engineer Bob Zimmerman; Moorhead City Council Representative Heidi Durand; Cass County Commission Representative Chad Peterson; Fargo City Commission Representative John Strand; Oxbow Mayor Jim Nyhof.

The meeting was called to order by Chair Mary Scherling.

Agenda Review

There were no additions or amendments to the agenda. Rodger Olson moved the Order of Agenda be approved. Kevin Campbell seconded. All the members present voted aye and the motion was declared carried.

Approve December 14, 2016 Minutes

Mr. Campbell moved the minutes from the December 14, 2016 meeting be approved. Jenny Mongeau seconded. All the members present voted aye and the motion was declared carried.

2017 Calendar

Eric Dodds shared the proposed calendar of dates for Outreach meetings, Land Management meetings, Finance meetings and DA Board meetings. The calendar is consistent with how meetings were scheduled in 2016, he said, and an electronic calendar is in the works.

Ms. Scherling said it has been confusing in the past on a few occasions when Land Management met on a third Wednesday rather than the second Wednesday of a month.

Mr. Dodds said the calendar shows the Diversion Authority Board and the Finance Committee meeting two times per month. The consensus seemed to be that one meeting per month is adequate for the Outreach and Land Management Committees, he said. In keeping it as it has been in the past, he said, the full suite of meetings is set during the second week of each month, with the second Finance and DA Board meetings in the month scheduled during the last week.

Mr. Dodds said there have been conversations about the extent and focus of this group. The Cass County Joint Water Resource District has been assigned the responsibility for acquiring land and there is a lot of value in their updates to this committee; however, perhaps those could be quarterly or less frequently. This committee was originally set up more as a policy based group, he said, and now those policies have been adopted, at least informally.

Mr. Olson said he feels this group is important, especially for the purpose of letting Minnesota know what is going on. He said while the Diversion Board is kept updated, he said, not everyone is a member of that Board.

Kevin Campbell moved to recommend that Land Management Committee meetings continue to be held monthly, on the Wednesday prior to the FM Area Diversion Board of Authority meetings, at 3:00 p.m. Ms. Mongeau seconded. All the members present voted aye and the motion was declared carried.

Farmland Management Report from Pifer's Land Management

Mr. Dodds said the 2016 Year End Farm Management Report from Pifer's lists the parcels Pifer's is managing on behalf of the Diversion Authority and the farmers working those properties, as well as maps of locations and photos of crops. He said 2016 was a pretty good farm year in the region with the net income from the land rent about \$250,000.00. Pifer's has secured rental agreements for those expiring in 2017, he said.

In response to a question from Ms. Scherling about how Pifer's was chosen to manage the farmland and whether that agreement gets revisited, Mr. Dodds said the agreement came about in 2013 when some farmland was acquired that would not be needed for the project for some time. Farmland management services went through an RFP process and Pifer's was the recommended firm, he said. He does not believe a term was placed on the contract, he said, and the recognition was this could be a long-term situation. Management fees are on a block scale, he said, and an advantage with working with Pifer's is that they also have a real estate team.

Mark Brodshaug said the approach when Pifer's was hired was for professional services and not necessarily for the absolute lowest cost. They have been relied on for other things too, he said, such as getting a sense of the market for land.

Ms. Scherling said Pifer's has a good reputation; however, it's always good to take a look from time to time to be sure things are on the right track.

CCJWRD Update:

In response to a question from Ms. Scherling about whether the expectation for the next year is to acquire a lot more property, Mr. Dodds said the map distributed titled "Phase 1 – LAP01 Parcels" shows parcels where property acquisitions are active. He said that land needs to be acquired by the time of the financial close with the P3 entity which is expected to be March 2018, so there is a little more than a year to secure those property rights. He said some farmland will likely be acquired in 2017, creating a situation where the farm owners or tenants will be allowed to continue to harvest their crops in 2017 and the land will be taken over in 2018.

Joe Herbst said there are still some property owners who feel the project will not happen or disagree with certain aspects of it; however, the majority now know this is going to happen and most of the hitches now are not so much a reluctance or opposition to sell, but due to differing ideas of valuation.

Mr. Dodds said one of the steps in the process has been to encourage the land agents to get out early and often to form a relationship with the property owners.

Mr. Brodshaug said the first visit or two with landowners has often ended up as a question and answer session about the project, so the land team has been given some contact names so various questions can be addressed, then things can move on to talking about valuations.

In response to a question from Ms. Scherling about the valuation process, Mr. Herbst said standard procedure is to have one appraisal done, which then goes through a formal review by another certified general appraiser to be sure the methodology checks out and is compliant with industry standards. He said if there is a large separation on price, and the owner requests it, a second appraisal would be done; however, there has not been a need to do that in Phase 1. In terms of negotiations, he said, if the appraisal missed something the landowner feels strongly about, there is some flexibility; however, the need to set an upper limit is being discussed. Some of the first acquisitions are looking to do land exchanges with the associated tax benefits, he said. Much of the land in the Red River Valley seems to be held by absentee landowners, he said, which makes each situation unique. The handout shows just Phase 1 properties, he said; however, there are 8-10 current opportunistic property acquisitions from Phases 2, 3 and the upstream mitigation area being added to the list to begin the process.

In response to a question from Ms. Scherling about timelines, Mr. Dodds said Phase 1 should be done by Spring 2018. He said Phase 2 is everything north of I94 not colored on the handout map and Phase 3 is everything south of I94 down to the inlet structure south of Horace. Phase 3 represents the largest in terms of number of parcels and area, he said, and the P3 developer is being asked to supply their design for the P3 area of the channel which is expected sometime this fall.

In response to a question from Mr. Campbell about whether land acquisition must still follow federal regulations in the P3 portions where the Corps is not directly involved, Mr. Dodds said the process is consistent since it is still overall a federal project. The PPA typically requires local sponsors to request credit on property acquisitions, he said; however, that crediting requirement has been removed. He said this allows more flexibility just in terms of the appraisal review steps and some other steps; however, the appraisals, reviews and relocation benefits all still need to follow the same rigorous federal standards.

Mr. Brodshaug reviewed the Land Management Summary outlining acquisitions completed through December 31, 2016. A favorable bid package was approved for the removal of 9 out of 11 homes in Oxbow, primarily on North Schnell Drive, he said, and the contractor intends to move the houses rather than demolishing them. Three appraisals were approved, he said, and the Land Management team is addressing early buyout requests in the upstream mitigation area. Two rural residences near Oxbow were demolished, he said. A recent Forum article featured the relocation of the School

District commercial property, he said, and it is good to see how well that is working out for them.

Other Business

Mr. Herbst said the Biotic and Geomorphic Monitoring Program is a pretty heavy lift. He said it will do some adaptive management and require long term access agreements on over 200 parcels along the Red River and its tributaries. He said letters are going out to landowners to explain the monitoring project and to request long term access agreements. Some of the parcels are not along the channel, he said, and there could be misunderstandings by property owners thinking the diversion is going through their property; however, these are just monitoring sites. The ongoing program is to determine the impacts of the project on the local watershed, such as erosion occurring and impacts to fish and biotic communities, he stated. The study will be conducted three times before the project is operated, he said, and each time after the project is operated. He said there are about 38 sites, and the impact will be small. He expects some property owners will simply allow access, he said; however, something like \$250.00 could be offered for putting in a survey marker if payment is requested for access.

Mr. Dodds said there are a few Minnesota properties on the list due to monitoring on both sides of a river; however, the bulk of the Minnesota parcels are not included on the list at this time.

The meeting adjourned at 3:34 p.m.