



TO: Mayor Shaun Sipma
Members of the City Council

FROM: John R. Zakian, DR Grant Program Manager & Chief Resilience Officer

DATE: August 20, 2018

SUBJECT: **Appraisal Firms' Engagement for Acquisition efforts for Flood Damaged Structures**

I. RECOMMENDED ACTION

Approve Hiring Mark Thelen Appraisal and Consulting for Appraisals and Kathy's Appraisal, Inc. for Review Appraisals if required, and to amend the Allocation #1 Voluntary Acquisition Program to establish property/structure value for making purchase offers to be post flood value

II. DEPARTMENT CONTACT PERSONS

John R. Zakian, DR Program Manager & Chief Resilience Officer, 423-4528

III. DESCRIPTION

A. Background

An RFP was issued for appraisal services to licensed appraisers as identified on the North Dakota state website to provide appraisal services to the city for acquisition of structures either through voluntary or involuntary acquisition which contain conditions causing spot blight which have become commonly known as "Zombie" homes. Three proposals were received. The range per appraisal for primary appraisal was \$600 to \$1,050 per appraisal. Core components used for consideration in engaging professional services is breadth and depth of experience as well as capacity to carry out required services on a timely basis. While all three proposals met the minimum standards, Mark Thelen Appraisal and Consulting provides the most extensive detail regarding back ground and experience as well as the capacity to carry out the required work on a timely basis. Kathy's Appraisal, Inc. while lowest response in price does not present the breadth and depth of experience and capacity but does offer sufficient detail to be selected for review appraisals if required. Review appraisals are only required for involuntary acquisition. It should be noted as with the case for all HUD funded contracts, the necessary and reasonable basis employed for this RFP is the single family residential per appraisal price used by CDM Smith for the NDR involuntary buyout program for flood control projects which is \$1,600 per appraisal. The original voluntary acquisition program under Allocation #1 used pre flood value which was felt at the time to be fair since it was only 1 to 2 years after the flood. Now that the time is 7 years after the flood, the owners of structures which have not been repaired should be offered current value reflecting current conditions to not be rewarded for allowing these properties to remain in disrepair for so long.

B. Proposed Project

After considerable research and very helpful and constructive interaction with city departments, it is very evident that using involuntary acquisition in North Dakota for spot blight condition properties can be both problematic and challenging. Of the 33 properties

which have been identified as fitting concerns about being Zombie homes, we have become aware of one third of the property owners who have expressed a willingness to sell. There is an existing voluntary acquisition program within Allocation #1 which, while not used for some time remains in effect until 12/31/18 with the ability to fund acquisitions through it without requiring an amendment to the Allocation #1 Action Plan. By engaging Mark Thelen Appraisal & Consulting @ \$800 per appraisal and Kathy's Appraisal, Inc. at \$350 per appraisal review, it will provide the option of immediate pursuing acquisition of properties from willing sellers while continuing to explore options in terms of actions to be taken with those property owners not willing to sell voluntarily.

IV. IMPACT:

A. Strategic Impact:

The process can be started on a voluntary basis to begin to address the concern of homes not habitable damaged by the flood adversely affecting the stability of residential neighborhoods.

B. Service/Delivery Impact:

This project demonstrates a recognition by the city of the problems being caused by these described "Zombie" homes in posing threats to the stability of residential neighborhoods.

C. Fiscal Impact:

Costs will be incurred and paid from Allocation #1 \$800,000 which has been set aside to acquire these properties.

V. ALTERNATIVES

N/A

VI. TIME CONSTRAINTS

NA

VII. LIST OF ATTACHMENTS