



TO: Mayor Shaun Sipma
Members of the City Council

FROM: Dan Jonasson, Public Works Director

DATE: October 1, 2019

SUBJECT: LEASE RENEWAL - LAVERNE MIKKELSON

I. RECOMMENDED ACTION

1. Recommend approval of land rent extension with Laverne Mikkelson
2. Authorize Mayor to sign the agreement on behalf of the City

II. DEPARTMENT CONTACT PERSONS

Dan Jonasson, Public Works Director	857-4140
Jason Sorenson, Assistant Public Works Director	857-4140

III. DESCRIPTION

A. Background

In 2004 Laverne and Kandi Mikkelson entered into a cash farm lease with Corinne H. Livingston, Minot, N.D. Trustee for Livingston Family Trust for the following pieces of property:

- | | |
|------------------|--|
| Section 6: NW ¼ | (154-81) New Prairie Township |
| Section 31: N ½ | (155-81) Surrey Township (City purchased NW ¼ of Section 31 in 2008) |
| Section 32: SW ¼ | (155-81) Surrey Township |

The city has paid damages on two pieces of land either rented or owned by the Mikkelsons since 2001. The two pieces of property are the NE ¼ of Section 31, 32.6 acres and the SE ¼ of Section 31, 15.7 acres.

On December 23, 2005 the City of Minot paid Laverne and Kandi Mikkelson \$4,633.50 for crop damage for the years 2004 and 2005.

On July 28, 2006 the City of Minot paid Laverne and Kandi Mikkelson \$6,950.25 for crop damage for the years 2001 to 2003.

On August 4, 2008 the City of Minot paid Laverne and Kandi Mikkelson \$30,000 for crop damage for 2006, and 2007.

On September 12, 2009, the City of Minot purchased Lots 1 and 2, E1/2NW1/4, Less Outlot 1 thereof, Section 31, Township 155 North, Range 81 West of the 5th P.M., Ward County, North Dakota from the Livingston Family Trust.

On November 2, 2009 the City of Minot paid Laverne and Kandi Mikkelson \$11,003.20 for crop damage for 2008. The \$11,003.20 is net of the \$6,558.68 of rent payable to the city by the Mikkelsons.

May 3, 2010 the City of Minot approved the amendment to the cash farm lease. The cash farm lease set a payment of \$5,000 annually for crop damage plus the annual rent payment of \$6,558.68, which is approximately \$46 per acre for the NW ¼ of Section 31 purchased in 2008, based on gross tillable acres. If you remove the drainage areas and wet areas of this land, the land rent would be closer to \$50/acre+.

Damage payments paid to the Mikkelsons prior to the amendment were based on the cost to seed the crop, tend the crop, crop yield, spraying costs and the value of the market price for the specific crop for the year the crop was lost. It is fair to assume that the input costs such as seed, fertilizer, fuel, etc. to plant a crop has increased substantially over the years and re-negotiation of the damages would result in higher damage payments compared to what was negotiated in 2009- The yield and the market price are volatile.

Reviewing the *North Dakota* 2014 County Rents & Values the average non-irrigated cropland cash rents and values for Ward County is \$46/acre.

The *North Dakota* 2019 County Rents & Values shows that cropland rent in Ward County is from \$30 - \$75 per acre or on the average \$52.20/acre

One of the questions asked at a former City Council meeting during the last renewal process was the Mikkelson's right to extend the lease. The amendment to the cash farm lease with the City of Minot incorporated the below term into the amendment.

"1. Term: The term of this Lease shall be for a period of 5 years, commencing on the 1st day of January, 2005 and ending on the 31st day of December, 2009. Tenant may renew this lease for an additional 5 years on the same terms provided he gives notice of his intention to renew no later than November 1, 2009."

The Mikkelsons exercised the option to renew the lease until December 31, 2014 and again exercised the right to renew in December 2014 until December 2019.

They have again requested that the lease be renewed for another 5 year term.

The staff after reviewing the history of cropland damages and the cash rent paid by the Mikkelsons recommend extension of the amendment to the cash farm lease for another 5 year period.

Staff will also hire a firm to conduct a study during this period to try assess what amount of leakage may be attributed to the lagoon wetlands. Funds have been budgeted in the 2019 and 2020 budget for this type of study.

IV. IMPACT:

B. Fiscal Impact:

\$5000 per year plus loss of \$6,558.68 per year income for land rent

V. LIST OF ATTACHMENTS

Extension of cash farm lease Mikkelson
Original Mikkelson land leases
Attorney letters negotiating agreeable payment claim
2019 average county rents and prices
Map showing land area and prior damage areas.