

Cedar Rapids flood buyout is history

Five years, 1,356 property purchases later



The 16th Avenue, 12th Avenue CRANDIC rail bridge and 8th Avenue bridges cross the Cedar River, as seen from the top of Mount Trashmore on Tuesday, May 14, 2014. (Liz Martin/The Gazette-KCRG)

By [Rick Smith](#), The Gazette

Sep 14, 2014 at 12:01 am | [Print View](#)

CEDAR RAPIDS — Almost before the water receded here in the June 2008 flood disaster, the word “buyout” had surfaced among owners of flood-damaged homes and businesses.

Not so for Jim Macek, whose family-owned machine shop in the hard-hit Time Check neighborhood quickly worked to get itself with its 25 to 30 employees back up and running despite a \$1.5 million loss in inventory and equipment.

In the end, though, Macek and his son, Brian, decided to add their business, Reliable Machine and Manufacturing Co. Inc., 415 H Ave. NW, to the end of the city of Cedar Rapids’s flood-recovery buyout list.

“There’s a lot of blood in that building,” said Jim Macek, 70, remembering how his father actually made some of the concrete block for it when he opened the machine shop there back in the 1940s. “... It was my home for some 40 years.”

But for Jim and Brian Macek — as for Jack Ilten, retired from the family-owned Ilten’s appliance business, and Jeff Scherrman, president of Acme Graphics Inc. — the lack of an assurance that a flood-protection system would get built any time soon for the west side of the Cedar River convinced them to take the city’s flood buyout and move their businesses to safer pastures.

“We just had to get out of there,” Jim Macek said. “We couldn’t make it through another flood. I wasn’t physically going to go through it again. It’s a once-in-a-lifetime thing.”

Payout increase

Last month, the announcement by Smulekoff’s Home Store that it, too, had agreed to sell its downtown building in the city’s voluntary buyout program brought to a close a sprawling program that began in late 2009 and, in the end, resulted in the purchase of 1,183 residential properties, 154 commercial ones, nine industries and 10 properties “exempt” from property taxes and owned by churches or not-for-profit groups.

With 1,356 total properties in the buyout, the program was prepared to pay \$124.3 million, \$83.4 million for residential properties and \$40.9 million for commercial, industrial and exempt ones. However, the awards approved by the Iowa Economic Development Authority came to \$93.9 million, \$58.1 million for residential properties and \$35.8 million for the others after deductions for earlier disaster payments, private flood insurance and any liens.

The award totals would have been less, but Mayor Ron Corbett in 2010 pushed to increase the payout to 107 percent of each property’s pre-flood assessed value, an amount supported by an analysis from the City Assessor’s Office of pre-flood property values.

The award totals also would have been less, but the City Council agreed to allow property owners unhappy with their assessments to seek their own new appraisals.

Fifty-eight owners of residential property appealed the 107-percent-of-value figure and obtained a new appraisal, and 53 of the 58 succeeded in getting an appraisal higher than the initial one.

Overall, the 58 residential owners who appealed raised the total value of their properties by 14 percent from \$4.1 million to \$4.7 million.

On the commercial-industrial-exempt side, 51 property owners sought new appraisals, and all succeeded in obtaining a higher pre-flood value for their property.

Overall with new appraisals, the 51 raised their total property value in the buyout by 47 percent from \$17.9 million to \$26.3 million.

The most expensive buyout was the last one to come to light, the \$4.7 million buyout of Smulekoff's Home Store. The amount, which was arrived at by a new appraisal of the property's pre-flood value, was 86.8 percent higher than 107 percent of pre-flood value as established before the flood by the City Assessor's Office.

Both Macek and Ilten said that the 107-percent initial offer did not represent the fair-market value of their commercial businesses either. It only made sense to appeal and obtain a new appraisal, they said.

"You always want more than what you expect," Ilten said. " ... Nobody wins in a situation like that."

Macek said the new appraisal was necessary to get "any decent money out of it (the building)," and in the end, the 37-percent increase in value from \$273,344 to \$375,000 was "reasonably fair," he said.

Rita Rasmussen, the city of Cedar Rapids's real estate service manager, said most of the owners of the 1,356 properties bought out in the city program did not appeal and seek a new appraisal because most believed that 107 percent of what had been the value of their property as set by the City Assessor's Office represented fair-market value for their properties.

Sandi Fowler, the city's assistant city manager, said every property owner had access to a new appraisal at city expense — except if the new appraisal was less — whether commercial, industrial, exempt or residential property.

Fowler, Jennifer Pratt, the city's interim development director, and Rasmussen were all involved in the city's flood-recovery programs from the start.

Block grants and FEMA

Early on, the city had no idea how much money might come in from the federal government to buy up flood-damaged property. The bulk of one round of federal disaster payments in late 2008 ended up going to victims of Hurricane Ike, which hit the Gulf Coast and Texas in September 2008, Fowler recalled.

But by summer 2009, the state of Iowa learned that it would be receiving a sizable infusion of federal disaster dollars in the form of U.S. Department of Housing and Urban Development Community Development Block Grant (CDBG) funds for communities hit by disasters in Iowa in 2008.

Much of the money came to Cedar Rapids.

In the end, FEMA funds were used for the first 97 buyouts while CDBG funds were used to buy out the majority of the rest of the properties. City funds in the form of revenue from the city's local-option sales tax helped in 167 buyouts, which for one reason or another didn't qualify for federal funds.

Pratt said the buyout program's purpose was to move people out of harm's way and help those move on who otherwise didn't have resources to do so. In addition, the buyouts and subsequent demolitions freed up ground near the river where the city plans to build its flood-protection system.

At the start, Pratt said the emerging buyout program proved to be difficult on city staff members because the state of Iowa wanted the city to identify flood victims who might be interested in a buyout even though many initially did not qualify because they lived outside the 100-year flood plain. The exercise, though, enabled the city to define the city's overall need so the state knew how much federal disaster help to seek. When it arrived, there was enough to meet the city's needs, Pratt said.

"We were never having to worry about not having enough," she said.

Quickly, too, Fowler said the city sought proposals and hired a third-party administrator, Pro Source Technologies Inc., to provide case managers for those interested in buyouts.

Owners of properties in the large majority of buyouts signed off on the sales by the end of 2011, though about 75 were done in 2012, about 30 in 2013 and a last handful in 2014.

Rasmussen said some opted in and then out of the program along the way. One property, for example, dropped out when siblings couldn't agree on how to split up the sale proceeds.

Others believed the final award wasn't worth giving up on the property, she said.

The program officially ended on June 30 of this year, though the city obtained permission to continue to work with one property owner, Smulekoff's Home Store, after that, the city officials said.

Rasmussen said the store signed the agreement to sell in the buyout program in December 2011, but the store owner, who announced the store's closing for the first time just last month, can still opt out before the scheduled closing of the sale and transfer of the property to the city on Dec. 31, 2014, she said.

It is the only property in the buyout yet to close on the sale, she added.

Homeowners

Jon Galvin, a homeowner featured in a Gazette newspaper story in the couple days before the crest of the June 2008 flood, never imagined back then that the river would get to his house with its new sunroom at 1204 Fifth St. NW. It did, destroying the place.

Galvin and his wife, Alice, were among the homeowners in the buyout program who appealed and obtained a new appraisal, but Galvin said this week that the \$12,000 increase in his property value didn't cover the full \$30,000 of the sunroom.

The Galvins, as with other homeowners in the buyout program, received down payment assistance for a replacement house as they waited for the buyout program to get to them. In December 2010, they got their buyout check, which combined with down payment assistance and other funds, allowed them to pay off the mortgage on their replacement home at 207 23rd St. NW.

Even there, far away from the river, Mother Nature in the form of high winds earlier this year got the Galvins again, sending a tree through their roof and causing damage to a pickup.

"It has been a long summer. But the insurance company has taken good care of me this time," he said.

City Manager Jeff Pomeranz, who joined the city in September 2010 as the buyout program was set to pick up speed, said some communities that have endured natural disasters as Cedar Rapids did still have damaged and abandoned homes and businesses in place 15 and 20 years later “because resources and leadership weren’t there.”

“It started slow and then it really ramped up,” Pomeranz said of the Cedar Rapids buyout program. “It just enabled us to dramatically change our community.”

The process of buying out more than 1,300 properties didn’t come without some emotion and some frustration on the part of flood victims, which he said only made sense.

“Acquiring property is very, very difficult,” Pomeranz said. “Our citizens went through this horrific time, a very emotional time. So while the city we certainly believe was very fair, ... I would think that in some cases people didn’t think it was enough or didn’t think it was fast enough. There was some stress.”

Even so, the city manager said most of the 1,300 properties were purchased and demolished in three years once the bulk of the federal funds arrived, which he termed “pretty amazing.”

“I think there were some hard times, but we’ve really moved beyond those,” he said. “I think we’re now seeing the potential of the greenway (where flood-damaged homes and businesses have been or will be removed) as a community amenity. We’re seeing new homes built. ... We’re seeing this rebirth.”

There are 1,300-plus stories to go with 1,300-plus buyouts, city officials said, and there are many more stories as some contemplated a buyout and didn’t take it.

Linda Seger, who emerged as a prominent Northwest Neighbors Neighborhood Association leader in the wake of the flood, said last week that the city’s initial indecisiveness about the shape of the buyout program contributed to her and her husband’s decision to renovate rather than to enter the buyout for their house at 1629 Eighth St. NW.

“Rules changed daily, and often one city department had no idea what another department was doing,” Seger said of those first months after the 2008 flood. “I will always feel we made the best choice for us.”

Seeger said it was “a monumental task” for the city to take on the flood buyout, adding that it was “way out of the comfort zone” for the city to take on such a project. To this day, she said some view the buyout as a “very aggressive” land acquisition.

On the plus side, Seeger said the city’s neighborhood rebuilding effort is a “shiny positive” that is replacing what is now gone.

‘As fair as it could get’

Acme Graphics’s Jeff Scherrman said he would have preferred to stay in the company’s downtown building at 201 Third Ave. SW, which the company fixed up after the 2008 flood with an idea to stay. However, he said the local voters’ decision not to extend the local-option sales tax to help pay for westside flood protection made it seem as if protection wouldn’t be coming.

“If there was another flood, we would have been out of business, quite frankly,” he said. “Our people couldn’t physically do it again.”

Scherrman called the final buyout offer “as fair as it could get.” “Did it cover our costs?” he said. “Absolutely not. ... But we were thankful that the city still had that offer on the table for us.”

The company is now at a new spot with room to expand, at 320 49th Ave. Dr. SW.

“When it rains hard, I sleep a lot better,” Scherrman said.

For Jack Ilten, whose two sons now run the family’s appliance business, he said the company has shifted its focus away from retail to contract work now that it has moved from its former home at 106 Second Ave. SW to 919 14th Ave. SW.

Ilten said the city’s buyout offer “came out adequate,” though the company lost a lot of money on the flood.

“But we struggled through that, and finally we’re back on our feet a little bit,” he said. “And I think down the road we’re going to be all right.”

Reliable Machine’s Jim Macek said the first key question for him after the flood was whether his son, Brian, wanted to keep on with the company as he had done when his father led it. His son did.

Both father and son said the buyout award, in the end, was acceptable. Both, though, aren't sure the city of Cedar Rapids did enough to keep them in the city. They found a building in Hiawatha and moved there.

The city just recently took down the company's former building, at 415 H Ave. NW, in a demolition program also funded with federal disaster dollars, and Jim Macek said he missed his chance to grab a brick from the debris pile.

"It's eerie," Brian Macek said of the demolition of the 70-plus-year-old machine shop.

"It's a big hole," his dad said.