



MEMORANDUM

TO: Karen Harkness, Director – Community and Economic Development
Monica Stage, Deputy Director – Community and Economic Development

FROM: Matt Rehbein, Economic Development Specialist

DATE: December 5, 2017

RE: 210 W. Edgewood Demo vs. Rent cost comparison

On November 18, 2016, the City of Appleton purchased the property at 210 W. Edgewood Dr. in the Town of Grand Chute for \$591,671.49. The property consists of 19.41 acres of land, a single family residence, a barn and a silo. At the time of purchase, the intent was to allow for the seller to occupy the home rent free for a period of up to 1 year from closing and subsequently demolish all structures. Based on the assumption that the property would be razed, the City signed a Rental Weatherization Waiver Agreement requiring the property be razed or bought into compliance with Weatherization standards by November 22, 2018.

Given the unknown timeline for providing City services to this parcel or likely development of this site, I've prepared an estimate of rental preparation costs vs. cost to demolish.

Rental preparation costs:

The residence has a number of deferred maintenance items that will need to be addressed prior to marketing for rent. The items that will require attention are based upon the Rental Weatherization Inspection completed May 18, 2017 and an inspection by Pfefferle Management. Some are related to Rental Weatherization standards and others are to render the property marketable for rent. The attached sheet breaks down the items that would need to be addressed and their estimated costs (Exhibit A). Subsequently, I went through the property with Laura Bonnet, Housing Coordinator as she has relationships with a number of contractors and familiarity with costs for many of the items on the list. A few assumptions were made to arrive at the numbers:

- 1) The inspection report at the time of purchase noted some knockouts in the panel that may be unsafe and the maintenance person from Pfefferle Management was unsure of the safety of some of the circuits. We may want to have an electrician and/or electrical inspector go through the property to ensure there are no hazards.
- 2) A "hole" was observed in the basement floor with some drainwork that we may want to have a plumber or plumbing inspector look at.
- 3) Based on Laura's experience, if we bid the work now, her contractors would probably be available in April or May of 2018 to do the work.

- 4) There are some items remaining in the home (Pool table, tools, TV, etc...) that will have to be hauled and disposed of that are not included in the cost estimate.
- 5) Fireplace/wood burner was removed. Pedestal remains in main living room. We could probably rent "as is" but looks peculiar without burner in place.

Based on the above referenced assumptions, the cost to make this property rentable is \$18,400.

Potential Rental Income:

As part of this analysis, I calculated the estimated monthly and annual net income for this property, should we choose to rent it out. The estimated income is \$1,033.04/month or \$12,396.48/year. Calculations are included on Exhibit B.

Demolition Costs:

A Request For Quotations (RFQ) was sent to 5 contractors on November 22, 2017. There were two quotes submitted (Attached). Summary Below:

Statewide Razing: \$16,500 cost to demo house and septic
Frederickson Trucking: \$21,543 cost to demo house and septic

**Both offer discounts if this work is completed in conjunction with demo of the barn and silo.*

Additional considerations if demolition is selected:

- 1) City would be responsible for handling and disposal of hazardous waste. If we select to pursue this option, I will secure quotes for this work.
- 2) The well would have to be properly capped and abandoned by a licensed plumber. Per city Plumbing Inspector, typical cost is \$1,000-1,500.

Summary:

If we choose to repair and rent the property, the physical improvements will cost at least \$18,400. Assuming the work is completed in April/May of 2018, we could hopefully have the property leased and generating income by June 1, 2018 so there will be carry cost over the winter. Based on rental projections, it would take approximately 19 months to recoup the cost of the repairs barring any major unforeseen repairs. This does not take into account staff time for management, budgeting, etc.. Based on the original inspection report, the roof is 5-10 years old. The furnace, A/C unit and water heater are all 10-15 years old.