

As rentals boom, cities strive to protect home values

By [SARAH LEMAGIE](#), Star Tribune

With more than 100 homes in her New Prague neighborhood in foreclosure because of mortgage fraud, Kristin Guerrette said she and many neighbors worry that the empty houses surrounding them will be rented out and damage property values.

"We just invested our life in a neighborhood that we thought was going to be homeowner-maintained, and not be saturated with a bunch of rental properties, and now we're sitting here in the middle of a giant mess of foreclosures," she said.

As New Prague and other cities see more single-family homes changing over to renters because of the national housing market meltdown, many are enacting tougher rental policies. Since February, Minneapolis has decided to collect a \$1,000 fee when a home is converted to rental.

The Minneapolis fee will cover costs such as inspections.

Mounds View has extended its rental licensing program to include single-family homes; and New Prague and Roseville have begun registering rental houses to keep track of the numbers.

"We're expecting that a lot of these houses that are on the market are going to be purchased by investors and rented out," said Mounds View housing inspector Jeremiah Anderson, who added that the city of 5,000 households, like many suburbs, has seen a spike in foreclosed or vacant homes.

"Three years ago, I could count them on one hand -- four or five," he said of the foreclosures. Now, "we're up to 60 on our list. So that's a big deal for us."

Foreclosed houses aren't the only ones turning into rentals. As retirees and other residents struggle to sell homes, "I think it's starting to become a more viable option for people to rent single-family homes, and we just want to make sure we're on top of that," said Patrick Trudgeon, community development director in Roseville, which passed a rule last month requiring rental properties with four or fewer units to register with the city.

In February, the Minneapolis City Council approved the fee of \$1,000 on housing units that are converted to rentals. North Minneapolis in particular has seen an steep increase in

the number of rented houses, as well as an increase in exploitative investors who manage their property irresponsibly, said Council Member Don Samuels.

Unmowed lawns

That has meant more unmowed lawns and more houses that need boarding up, he said. "We find that neighbors and the city become property managers, in reality."

Mounds View's new rule, which went into effect last week, expands the city's existing rental licensing program to include single-family homes. City leaders started talking about the ordinance after neighbors complained about a couple of houses where renters were making noise, parking cars up and down the block and speeding through local streets, Anderson said.

Guerrette said that nuisance renters aren't a pressing problem in New Prague, one of several towns victimized by a giant mortgage-fraud conspiracy in which Eagan-based Parish Marketing and Development Corp. relied on straw buyers to purchase about 200 company-built homes.

Some occupants -- who rented the Parish houses or made payments on rent-to-own plans -- found out the truth only after their homes were in foreclosure.

In the aftermath, Prague Estates homeowners, including Guerrette, worry that a big real estate investor will swoop down and convert many of the empty homes to permanent rentals.

That fear prompted some residents to ask the City Council last fall to put a cap on rental properties in New Prague, said Ken Ondich, the city's acting planning director. The council balked at the idea, but decided to start registering rentals to keep track of them, he said.

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