

Request for City Council Committee Action from the Department of Regulatory Services

January 22, 2009

То:	Public Safety and Regulatory Services Committee, the Honorable Don Samuels, Chairperson
Referral to:	No referral
Subject:	Appeal of Directors Order of 1611 – 22 nd Avenue North
Panel to upholo	tion: To adopt findings of the Nuisance Condition Process Review I the Director's Order and allow for rehab of the property located at enue North, Minneapolis, MN. Approve the draft Restoration
Previous Dire None	ctives:
Prepared or Su 673-3310.	bmitted by Tom Deegan, Manager of the Problem Properties Unit,
Approved by: _	
F	Rocco Forte, Assistant City Coordinator
ŀ	Henry Reimer, Director of Inspections

Presenters in Committee

Date:

Lee Wolf, Attorney Tom Deegan, Manager Problem Properties Unit

Financial Impact (Check those that apply)

X_No financial impact (If checked, go directly to Background/Supporting Information).

_Action requires an appropriation increase to the ____ Capital Budget or ____ Operating Budget

- _Action provides increased revenue for appropriation increase
- _Action requires use of contingency or reserves
- _Action is within the Business Plan
- _Action requires a change to the Business Plan
- _Other financial impact
- _Request provided to the Finance Department when provided to the Committee Coordinator

Community Impact

Neighborhood- No impact.

City Goals – Maintain the physical infrastructure to ensure a safe, healthy and livable city.

Comprehensive Plan – No impact.

Zoning Code – No impact.

Other

Background and Supporting Information

This matter came before The Nuisance Condition Process Review Panel on October 9, 2008 and again on December 11, 2008. On October 9, 2008, the Panel heard evidence from the attorney for the owner, Laura Hage. Ms. Hage argued that the property had value and could be successfully rehabilitated. The NCPRP asked staff to meet with the owners to determine if a rehab plan was appropriate. Staff met with the owners and developed a tentative Restoration Agreement. Based on the tentative agreement (attached at the end of this report) the NCPRP voted to recommend that the property be rehabilitated. Staff will pursue the restoration if Council adopts the recommendation before it today.

The property located at 1611 22nd Avenue N. was sold at a sheriff's sale on October 24, 2006, with U.S. Bank National Association submitting the highest bid in the amount of \$183,575.97. In the early summer of 2008, United Homes, Inc. purchased the property.

This property was identified for demolition this summer, during a comprehensive review of condemned properties. Staff determined that the property met the criteria for demolition and a notice of the Director's Order to Raze and Remove was mailed on August 1, 2008, to United Homes, Inc.; Argent Mortgage Company; AMC Mortgage Services; HomEq Servicing Corp. and Shapiro, Nordmeyer and Zielke.

On August 22, 2008, Laura Hage Esq., on behalf of the owner, filed an appeal on indicating that United Homes, Inc., had recently purchased the property and had the intent and ability to rehabilitate the property and eliminate the nuisance condition.

The Property is a single-family dwelling in the Jordan neighborhood. The 1.7 story house was built in 1906. The building is 1,121 square feet with 660 being on the first floor and 461 being on the second floor. The building sits on a 5,500-square-foot lot.

The estimated cost to rehabilitate the building is \$93,749 to \$185,508, based on the MEANS square footage estimate. The assessed value of the property in 2008 is \$57,100; the value in 2007 was \$125,,000.

The after-rehabilitation value of the property is \$42,000 as determined by the CPED contracted appraiser.



1611 22nd Avenue North

Appeals Panel Hearing Thursday, October 9, 2008

Appeal received	August 22, 2008
Director's Order to Demolish sent	August 1, 2008
Added to VBR	May 7, 2008
Condemned for Boards	May 6, 2008

Owner

United Homes, Inc.

Laura Hage, representative of the owner, filed an appeal of the Director's Order to Demolish. She states that conditions leading to the nuisance determination may be easily abated and that the appellants have the means and desire to perform the necessary rehabilitation.

Structure description

1611 22nd Ave N. is a single-family dwelling in the in the Jordan neighborhood. The 1.7-story structure was built in 1906. The building is 1121 square feet, with 660 being the first floor and 461 being the second floor. The building sits on a 5500-square-foot lot.

General condition

The property was found open to trespass on June 7, 2006. It was secured by city contractors. Since then the property has been found open to trespass on one other occasion. Additionally, since 2006 city contractors have been hired to cut grass/weeds (four times), remove rubbish (two times), secure the garage and board the dwelling.

Property has been determined to be substandard. Recent examination of the structure revealed extensive mold in basement, furnace in disrepair, questionable structural integrity, rotting floor joists, missing copper piping, and severe water damage.

Market analysis

Vacancy Rate: The vacant housing rate in the Jordan neighborhood is around 8%. Of the 951 houses on the city's Vacant Building Registration, 114 are in the Jordan neighborhood alone, a neighborhood of approximately 2,015 housing units.

Cost to Rehab: The estimated cost to rehabilitate the building is \$93,749 – 185,508, based on the MEANS catalog square footage estimate.

After Rehab Market Value: CPED contracted-appraiser has determined that the afterrehab value of the home would be \$42,000.

Assessed Value: The 2008 assessed value of the property is \$57,100. In 2007, the value was \$125,000.

Cost to Demolish: The estimated cost to demolish the structure is between \$10,650 and \$12,900.

Community impact

Impact statements were sent to the Jordan Area Community Council and property owners within 350 feet of the property. We received one in return. It states that the property has a negative impact on the community because it is not taken care of. It recommends demolition and calls the property an eyesore.

Architectural and historic value/designation

The Preservation and Design Team staff has conducted an historic demolition review of the property. Demolition is okay.

Notification summary

The Order to Raze and Remove the Building was sent by certified mail to:

- 1. United Homes, Inc., PO Box 937, Burnsville, MN 55337
- Argent Mortgage Company, LLC. 2550 Golf Road, East Tower, 10th Floor, Rolling Meadows, IL 60008
- AMC Mortgage Services, Inc., 505 City Parkway West, Ste. 100, Orange, CA 92868
- 4. HomEq Servicing Corporation, c/o Fidelity National Fc Sol, 1270 Northland Dr., #200, Mendota Heights, MN 55120
- 5. Shapiro, Nordmeyer and Zielke, 7300 Metro Boulevard, Ste 390, Edina, MN 55439

Recommendation Demolition – Oct 9, 2008; December 11, 2008 presented tentative restoration agreement to NCPRP.

RESTORATION AGREEMENT Director's Order to Demolish

IT IS HEREBY STIPULATED AND AGREED by and between United Homes, Inc. (hereafter "Owner") and Henry Reimer, Director of Inspections, in the Department of Regulatory Services, (hereafter "City") by his designee, Thomas M. Deegan, Manager of the Problem Properties Unit, as follows:

- The Director's Order on August 1, 2008, pursuant to Chapter 249 of the Minneapolis Code
 of Ordinances issued to the owners and holders of encumbrances of record of the property
 located at 1611 22nd Ave N, Minneapolis, Minnesota, having a property identification
 number 1602924210175 (hereafter "the property") is declared and deemed to be reasonable
 as that term is defined in Chapter 249 of the Minneapolis Code of Ordinances.
- 2. The City hereby voluntarily consents to desist and refrain from razing the residential structure or other legal regulatory actions located at the property until August 8, 2009, if all work is completed as outlined in this agreement. The city further agrees to dismiss all orders pursuant to this agreement if all work is completed by that date.
- 3. Owner hereby acknowledges and affirms that he holds title to the property subject to said order to demolish and is without legal recourse to prevent enforcement of the order by the City from the express terms of this agreement. Owner further agrees that until such time as repairs are completed or the property is razed, the owner will retain 100% ownership interest (both legal title and equitable interest) in the property and agrees not to convey or sell, hypothecate, or in any way transfer interest in the property without prior written consent of the City.
- 4. The owner agrees that, on or before <u>February 8, 2009</u>, he will put in escrow with the City of Minneapolis \$10,000.00 performance bond, in cash, cash equivalent, or irrevocable letter of credit, to pay for the cost of demolition or completion of rehab, if such becomes necessary.
- 5. Owner agrees to make all repairs, improvements, and alterations necessary to bring the property into compliance with all current City of Minneapolis Code requirements. If the property is condemned and requires a code compliance, the owner shall order the code compliance inspection before starting any repairs, improvements, or alterations. The code compliance deposit must be made before permits are pulled. The code compliance deposit due date may be different from the restoration agreement timelines. Should owner fail to post the code compliance deposit as required by February 8, 2009 or to complete repairs to the property on or before August 8, 2009 the City shall cause the property to be razed and removed and the site restored to a dust-free and erosion-free condition and the costs therefor shall be paid from the amount deposited in escrow pursuant to paragraph 4 of this agreement. Any costs above and beyond the escrowed fund may be charged in full or in part against the property, and if so charged, it is a lien upon such property and may be assessed and collected as a special tax.
- The value of the repairs, improvements, and alterations necessary to bring the property into compliance with code requirements shall be determined by this agreement. (See attached estimate for \$27,697).

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- 7. In the event the City determines that repairs have not been completed as required in paragraphs 5 and 6 of this agreement, the City will provide the Owner with written notice of its determination to raze the building by mail to the address provided by Owner to the Director of Inspections. Owner shall have ten (10) days from date of the written notice to remove any personal contents in this building that he desires to retain. Any items remaining in the building will be assumed to have no value and will become the property of the wrecking contractor designated by the City of Minneapolis.
- Pursuant to Chapter 249, because 1611 22nd Ave N is a condemned building, the City of Minneapolis, its employees, or agents may unilaterally enter the building for purposes of inspection upon 24-hour written, voice, or phone message communication.
- In any instances requiring written notice, the notice may be served upon the Owner by certified mail delivered to his home address of 25545 Dupont Ave, Elko, MN 55020 or by posting it on the building.
- 10. Owner agrees to keep the property unoccupied until such time as any and all permits issued by the Department of Regulatory Services for the City are signed off as completed.
- 11. Owner agrees to obtain all necessary construction permits as required by the Minneapolis Code of Ordinances before the commencement of any repairs to the property, including, but not limited to, building, repair, plumbing, electrical, and mechanical permits. All permit fees will be determined by the Minneapolis Code of Ordinances Director's fee schedule. The building permit fee will be based on the scope of work submitted by owner, but no less than that cost to be agreed upon by the Manager of the Problem Property Unit using the current MEANS guide. If condemned, scope will be based on code compliance orders along with any additional work the owner may wish to do.
- 12. Owner hereby acknowledges and affirms that he will follow all local, state and federal requirements related to the inspection for and handling of asbestos-containing materials at or in the property.
- 13. Owner hereby agrees that all painted surfaces will be intact at the completion of the restoration work. Owner agrees to follow all local, state and federal requirements in making the property "Lead Safe" as defined by HUD.
- 14. Owner understands and agrees that the City will incur substantial costs if he does not follow its terms and conditions. Owner understands and agrees that the City shall be entitled to the following fees as liquidated damages from the Owner if its terms are not fully and completely complied with. Owner further understands and agrees that he shall be held personally liable for any or all of the liquidated damages due and owing and that the City may also take monies from any of the escrow accounts established under this agreement to pay liquidated damages. Additionally, any unpaid, liquidated damages shall become a lien against the property until paid in full.
- 15. Fees for the failure to complete all repairs, improvements or alterations by <u>August 8, 2009</u> shall be \$300.00 for each and every day thereafter.
- 16. Fees for commencing work without the required permit(s) shall be: double the standard fees applied by the City of Minneapolis, to be determined by the un-permitted work

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inspector, in addition the City retains the right to prosecute any and all persons regarding said work.

- 17. Owner understands and agrees that every provision of this agreement is intended to be severable. If any term or provision of this agreement is void, illegal, invalid or unenforceable for any reason whatsoever, that term or provision will be enforced to the maximum extent permissible so as to affect the intent of the Parties, and such voidability, illegality, or unenforceability will not affect the validity or legality of the remainder of this agreement. If necessary to effect the intent of the parties, the parties will negotiate in good faith to amend this agreement to replace the unenforceable language with new language that reflects such intent as closely as possible.
- 18. The observance of any term of this agreement may be waived (either generally or in particular instance and either retroactively or prospectively) by the party entitled to enforce the term, but any such waiver is effective only if in a writing signed by the party against which such waiver is to be asserted. Except as otherwise provided in this agreement, no failure or delay of any party exercising any right under this agreement will operate as a waiver, nor will any single or partial exercise of any such right, or any abandonment or discontinuance of steps to enforce such right, preclude any other or further exercise thereof or the exercise of any other right.
- 19. By signing this restoration agreement, you understand that you have waived your right to appeal and that you will abide by the terms of this agreement.

Dated:	
	Thomas M. Deegan, Manager,
	Problem Property Unit
	Department of Regulatory Services
Dated: 2/4/2008	
	United Homes, Inc Noel Wend!
	25545 Dupont Ave
	Elko, MN 55020

612-282-2184



Estimate

Date	Estimate #
12/4/2008	1543

Name / Address	
United Homes Inc. P.O. Box 937 Burnesville, MN 55337	

	Project
Description	Cost
Code Compliant Property rehabilitation for: 1611 22nd Avenue North.	
Provide positive drainage away from dwelling. Remove vegatation growing against foundation and tree	450.00
imbs against roof.	
2. Repair siding and fascia.	600.00
3. Repair exterior handrails.	85.00
1. Repair cracks on foundation.	75,00
5. Replace double hung and basement windows.(14)	3,700.00
6. Replace broken stair treads.	60.00
7. Move all handrails to code height and return ends.	90.00
Install new door hardware on garage service door.	35.00
P. Refinish 1042 sf of hardwood flooring	2,969.00
Repair, finish and paint all interior walls and ceilings	1,563.00
1. Refinish existing kitchen cabinets.	700.00
2. Install new kitchen countertops.	380.00
13. Prepare and paint exterior of house wherever it is not of a material manufactured or processed	800.00
specifically for use in such a weather-exposed location, or which is blistered, cracked or flaked away.	
4. Prepare and paint garage exterior.	250.00
5. Prepare and paint fence.	75.00
16. Repair or replace roof (no visible defects).	0.00
17. Repair or replace exterior wall (see #2).	0.00
8. Repair exterior doors to be reasonably weathertight, watertight and rodent proof.	30.00
9. Screens will be installed on all new windows (see# 5)	0.00
20. Install storm windows on single glazed windows (storm window is in garage).	10.00
21. Refinish bathroom floor (see. #12)	0.00
22. Prepare and paint any painted surfaces of windows that are blistered, cracked, flaked, scaled, or	100.00
halked away.	
23. Repair door latch and tighten knob.	25.00
24. Install 95% efficient, 40,000 BTU Coleman furnace. Includes PVC venting, drain piping, gas piping,	6,400.00
and thermostat wiring. Install ductwork, dryer vent, and bath vent.	
Total	



Estimate

Date	Estimate #
12/4/2008	1543

United Homes Inc.	
P.O. Box 937	
Burnesville, MN	
55337	

Description

Cost

25. Electrical. Bring all current wiring to code. Supply and install new light fixtures and devices to code. Install co2 and smoke detectors to code.

26. Plumbing. Repair water service. Install new water supply lines. Repair all waste and vents. Install new kitchen sink and faucet. Install closet bolt covers. Install new water heater. Ensure floor drains in good working order. Replace all non-code valves.

27. Estimate to include all materials and labor.

28. All structural members seem to be in good condition. There may be some unforseen expenses that arise. Typically it would be some rotted subfloor from plumbing leaks or water damage or some hardwood flooring that needs replacing. These costs are generally between 5-10% of total costs.

Total

Total

S27,697.00