



City of Saint Paul

15 West Kellogg Blvd.
Saint Paul, MN 55102

Meeting Minutes - Action Only - Draft

Legislative Hearings

Marcia Moermond, Legislative Hearing Officer
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Tuesday, May 10, 2011

9:00 AM

Room 330 City Hall & Court House

- 3 RLH RR 11-19 Resolution ordering the rehabilitation or razing and removal of the structures at 936 EARL ST within fifteen (15) days after the June 1, 2011, City Council Public Hearing.

Sponsors: Bostrom

Layover to May 24, 2011 Legislative Hearing

LH: May 10, 2011

RE: 936 Earl Street (Fannie Mae, owner of record)

John Dobbs, representing prospective buyer, Connie Steckling; and Corey McCrackin, Prodigy Real Estate, representing Fannie Mae, appeared.

Steve Magner, Vacant Buildings, the Department of Safety and Inspections (DSI), reported that this building is a two-story, wood frame duplex with a detached two-stall garage on a lot of 3,920 square feet. According to City files, it has been a vacant building since March 26, 2010. The current property owner is Federal National Mortgage Association per Ramsey County Property records. There have been five (5) Summary Abatement Notices since 2010 and four (4) Work Orders for:

- garbage/rubbish*
- tall grass/weeds*
- snow/ice*
- boarding/securing*

On February 17, 2010, an inspection of the building was conducted, a list of deficiencies which constitute a nuisance condition was developed and photographs were taken. An Order to Abate a Nuisance Building was posted on March 2, 2011 with a compliance date of April 4, 2011. As of this date, this property remains in a condition which comprises a nuisance as defined by the legislative code. The Vacant Building registration fees were paid by assessment on April 22, 2011. Taxation has placed an estimated market value of \$9,900 on the land and \$62,900 on the building. A Code Compliance inspection was done on March 10, 2011 and as of May 6, 2011, the \$5,000 performance deposit has not been posted. Real Estate taxes are current. Code Enforcement officers estimate the cost to repair this structure starting between \$40,000 and \$50,000; the cost of demolition starting between \$10,000 and \$12,000.

Amy Spong, Heritage Preservation Commission (HPC), Planning and Economic Development (PED) reported that this is a 2 1/2 story ornate Victorian era probably built in 1889 (record not clear) at a cost of \$1,800. This is very prominent high-style architecture, similar to the one across the street. It still has context in this immediate

area. It still has a lot of integrity from the exterior. The wood siding is still there. A lot of the windows are still there - it has a unique triple-arched window on the front elevation. It has a projecting bay with a corner tower. It has been surveyed in 1983. Because of all the potential, an extensive survey would need to be done to find out if it were worthy of designation. A photo revealed that the original old fireplace and mantel are gone.

Mr. Dobbs stated that he and the buyer went into contract April 7, 2011 with a tentative closing date of April 21, 2011. His client is fully aware of what she is getting into; she has money and would like to salvage this situation. He asked for clarification of it's historical value. Ms. Spong reiterated that it is not currently designated as historical property. It is not in any survey area; just outside of one.

Ms. Moermond explained the Bostrom Ordinance: once a building becomes a category 3 Registered Vacant Building, it needs to be rehabbed by the owner (Fannie Mae); it can't be sold in its current state. Fannie Mae would need to take responsibility for the rehab.

Mr. Dobson said that they were wondering if there was some creative solution where the owner would post the bond, provide the funds, etc., and then ownership could be transferred. His client and her contractor are more than capable of rehabbing the property. They were hoping to be able to make this work with the City. Mr. McCrackin stated that Fannie Mae wants to sell this property to an owner-occupant; they don't want to rehab it to bring it up to code. They would like to sell it to Mr. Dobb's client and move on. Ms. Moermond responded that she would love to see this house rehabbed, too; this is exactly the kind of property that they'd like to see rehabbed but at the same time, it would be unprecedented to waive the requirement that it be rehabbed by anyone except the seller. She added that there are creative ways to solve the problem, which will be up to them. She added that she has seen cases where contracts have been developed between the owner of the property and the purchaser whereby the purchaser is a contractor of the owner who does the rehab. Eventually, the title will transfer upon completion of the rehab. Obviously, the City would want to review any such contract and approve it. Mr. Dobson responded that he comes a very long history of dealing with lenders and he can't fathom a situation where a lender would allow a contractor to come in and do a bunch of work under contract for somebody else for liability reasons, alone. Mr. Magner explained that the City has reviewed cases where the lender has reached a contractual obligation with a third party to do a rehabilitation. At the completion of the rehabilitation, the title is transferred and the status of the Vacant Building is removed so that it's not in violation of the City's ordinance. It is the ultimate decision of Mr. McCrackin's client if they decide to move forward with rehabilitation in some form or fashion or to choose not to, which would ultimately resolve in the removal of the building. Mr. Dobson said that he understood that and appreciated what Mr. Magner was saying but they are trying to learn and understand the City's Ordinance and also find a creative solution to solve the problems with the house. In his experience with lenders, such a contract is a big issue. Hopefully, there is a different solution. He asked if a category 3 Vacant Building is ever brought back to a category 2. Ms. Moermond replied that a category 3 is never brought back to a category 2. Ms. Moermond stated that on February 17, 2011, an inspection was done, which led to the conclusion that this is a nuisance structure. Once it has been declared as such, the deficiencies need to be completely abated. The Ordinance was created to encourage banks to take action on their own instead of passing on the problem. She has seen at least a half a dozen cases where contracts have been developed, which address, exactly, this issue. Mr. Magner cited an agreement which could be reached between Fannie Mae and the buyer. Alternatively, Fannie Mae could sign over the property to a non-profit rehabber. That organization could strike up a contract with

this client. This and other options are out there. It will take some homework to learn what they are. Maybe the HRA has some ideas about this - she suggested that they talk with Sheri Pemberton, Planning and Economic Development (PED), 266-6615. Ms. Pemberton handles a lot of properties in this kind of circumstance. There may be a non-profit rehabber who is willing to work with the purchaser on spec to do exactly this. She believes that 500 Sherburne is such a contract. Mr. Magner noted that there have been a few others where the lender contracted with the potential buyer; the buyer completed the rehab and subsequently, the title was transferred after the nuisance status was lifted. Usset and Winegarten was the firm that represented Fannie Mae to begin with, and they may be willing to review this pending agreement on behalf of Fannie Mae.

To re-cap, Mr. McCrackin questioned whether their only options are to try to work out a contract to have the buyers do the repairs while Fannie Mae still owns the property or a non-profit who is willing to do the work. Mr. Magner explained that their options are: 1) Fannie Mae can hire a vendor to rehabilitate the property whether the buyer's in that position or the buyer's people (whoever), something that the City will review based on a work plan and a financial plan. The plan that's submitted needs to indicate that the nuisance condition will be abated. After that, they can sell it to anyone. 2) The other option is to work with Planning and Economic Development (PED) to either partner with them or one of their CDCs (development partners) to process the rehab through them. In other words, for example, Dayton's Bluff Neighborhood Housing Service is an entity that could be used to purchase the property and do the rehab and, ultimately, once completed, they could sell to the potential buyer. Mr. Magner suggested that they go back to Fannie Mae and construct a contract whereas the building is rehabilitated and once completed and signed-off by DSI; and the VB status is removed, then the title will change hands. The potential buyer's contractor could work directly with Fannie Mae as a contractor.

Mr. Dobson asked if Fannie Mae and his clients could enter into contract, would the code compliance need to be completely signed-off on. Mr. Magner responded that it would need to be complete. The only items that may get an extension would be weather related issues, i.e., exterior painting in the winter. Mr. Dobson said that the potential buyer would like to take care of more items than are on the code compliance list. Mr. Magner responded that the City is only interested in the rehab meeting the basic minimum requirements, except for the mechanical and electrical. Anything more is up to the client. Ms. Moermond suggested they contact Jim Urchel, Dayton's Bluff Neighborhood Housing Service, and work with them to do the rehab. He may have some good ideas about how to manage this financially. Potentially, they could also finance this.

Ms. Moermond stated that she will put together a letter of the expectations she is looking for in the long run to get a recommendation from the City Council for time to do the rehab. At the City Council meeting on June 1, 2011, she will ask the Council for a 1-month layover so that the appellant has until July 1, 2011 to continue to put this together and more forward. Ms. Steckling added that she really wants the house; she said that it's fanominal and it deserves a chance to remain. It would break her heart to have it demolished without a second thought. Ms. Moermond said she couldn't agree with her more. She will hear this again at a legislative hearing on June 14, 2011.

The appellant and potential buyer took a short break.

Mr. Dobson stated that after they discussed it, they all kind of believe that the potential solution is that Fannie Mae and his client work out an contract/agreement where they can do the work. They are not optimistic. That's the only thing they see

going forward. Mr. McCrackin believes that he can get an answer from Fannie Mae fairly quickly. Ms. Moermond reiterated that Sheri Pemberton, PED, might be able to help his client; she has good contacts at Fannie Mae. She believes that there may be options outside of private realtors; she encouraged them to continue looking at that.

Ms. Moermond will not, then, recommend a layover to City Council. Instead, she will set-up a second legislative hearing two weeks from today, May 24, 2011 to see how things come out.

Laid Over to the Legislative Hearings due back on 5/24/2011