



City of Saint Paul

15 West Kellogg Blvd.
Saint Paul, MN 55102

Minutes - Final

Legislative Hearings

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Friday, January 15, 2016

9:30 AM

Room 330 City Hall & Court House

9:30 a.m. Hearings

Vacant Building Registrations

[RLH VBR 16-4](#)

Appeal of Dana DeMaster to a Vacant Building Registration Notice at 1642 BLAIR AVENUE.

Sponsors: Stark

Dana DeMaster, owner; also Elton Mykerezzi and Alex Stojmenovic, prospective buyers, appeared.

Michelle Vojacek, PED, also appeared.

Vacant Building Registration

Ms. Moermond:

-she has been asked to take a look at this because you have a pending closing

Ms. DeMaster:

-US Bank gave us until Mon, Jan 18, 2016 to close otherwise the short sale will be endangered

Ms. Moermond:

-this is an unusual situation because the Vacant Building inspectors along with the building inspectors are all at In-Service Training and have been for most of the week, so, they have not been available for any of this work

-she spoke with city building official, Steve Ubl and with the city's VB Program mgr, Steve Magner, about your situation

-understood that you bought this property in 2007 and at some point between 2007 and Jun 2015, you discovered that the chimney had been chopped off and roofing had been laid over where the chimney should have been venting out of the house; instead, it was venting into the attic

Ms. DeMaster:

-they discovered the issue in Apr 2015 and at that point, didn't know what to do; they finally decided to put the house on the market because they didn't have the financial means to fix that; plus, they were underwater on their mortgage and there was no equity loans or other kind of help available; she did not qualify for any type of loans available for people underwater on their mortgages; so they put the house on the market and attempted a short sale; they have been upfront about this with everyone who wanted to check out the property

-in Aug 2015, Elton Mykerezzi made an offer on the house and we started the short

sale negotiation US Bank, which was approved right before Christmas; our hope had been that someone would be able to buy it who had the means to fix it
-we stopped paying our mortgage in Jun 2015 and have been working with US Bank since Jun 2015 to the present
-her realtor, Shayne Montoya, is out of town today; they have been working with Nycklemoe Law Firm, Hopkins
-because the heating is unsafe, they had to find new housing; so, they purchased another home in Oct, 2015
-she has her closing documents and short sale approval
-their mortgage was \$167,000 and US Bank approved the short sale for \$90,000 (scanned); Ms. Vojacek reviewed them
-have received missed payment notices
-her understanding is that US Bank, during the short sale negotiation process, put the foreclosure process on hold pending the short sale

Ms. Moermond:

-she asked Ms. Vojacek, PED, to pull some information from the mortgage systems that she has access to

Ms. Vojacek:

-US Bank would look at a short sale offer by their own internal staff and they would approve a specific Purchase Agreement for a specific price
-they don't, typically, talk about the future
-the foreclosure process is such that you do have the right to continue to sell the property during the foreclosure process and there hasn't been any Notice of Pendency filed on you property yet, which means that they have not yet started foreclosure proceedings
-most often banks do continue with the foreclosure process during the short sale negotiation
-there's an underlying investor that's not US Bank; who the investor is would be a good question to ask US Bank
-the next step would be that US Bank would demand payment from you (have 30 days to bring mortgage current); then, they would have to file a Notice of Pendency, which is the process to foreclose; they'd need to publish for 6 weeks and then, they would set a short sale date after that (it's likely 3-4 months away from the sheriff's sale)

Ms. Moermond:

-after that, there would be 6 months in which you could redeem it, unless US Bank decides to shorten the redemption period because the property is vacant, which they have the right to do (doesn't happen very much; costs too much in attorney's fees; and would probably not be in their interest)

Ms. DeMaster:

-if this sale doesn't happen, the chances of us getting another buyer are small; the chances of getting another short sale approval are small; it's already taken 8 months to get to this point and another 8 months from now...she thinks ... realistically, they couldn't afford the taxes on 2 houses, insurance on 2 houses, fees on 2 houses, etc. and they certainly can't afford to repair the house as a Cat 2 VB... they'd have to foreclose and walk away from it

Mr. Mykerezzi:

-they made an offer in Aug and we were informed about the chimney; he had a general contractor inspect the property, who confirmed the chimney issue and provided me with a plan; he also check the area around it and gave me a rehab plan for the chimney and the surrounding area

-he is a college professor by day and they together rehab houses; this is #20 in St. Paul and about 2/3 of them have been Cat 2's; they met each other a couple of months ago re: 1164 Minnehaha Ave, which was a Cat 3 (he wasn't aware of it and he bought it); now, it's fully rehabbed and occupied
-they had a closing date around Dec 23 or 24 and he understands that this property was added to the Cat 2 list on Dec 21, 2015; and that really changes the value
-they looked at the house in late Aug; it is in great shape except for this chimney issue

Ms. DeMaster:

-ideally, she would want it to go back to a Cat 1 VB, which is easier to work with (Ms. Moermond explained that a Cat 1 VB means that it's turnkey, which means that someone can move in tomorrow; and that's off the table
-she learned that this was identified as a Cat 1 registered Vacant Building Tue night (Jan 12, 2016) a couple hours before the scheduled closing; then, she contacted her realtor to let him know; after that, she contacted people about what to do

Mr. Mykerezzi:

-he would like to see a Cat 2 code compliance inspection report

Ms. Vojacek:

-asked if she had talked with US Bank and explained to them the situation and asked them, in writing, to extend the deadline (Ms. DeMaster: the law firm started yesterday to talk to US Bank to extend the deadline and re-negotiating the sale price, if need be; I haven't heard back)
-there may be some steps, if Fannie Mae is the investor, the city could assist with getting some communication, etc (Ms. DeMaster: believes it's a private investor); it would be helpful if you or the law firm could find out who the investor is; they have some direct contacts with Fannie Mae and often times, they will intervene, if necessary, in getting the extensions

Mr. Stojmenovic:

-he's a realtor for the buyer; he also has his own construction company and all of those Cat 2 VB rehabs were rehabbed by his company
-asked if there were a mechanism whereby they don't have a C of O for the property but a Correction Order for the chimney and if they solve the chimney issue, then can obtain the C of O; right now, it seems to him that the property is either eligible for occupancy or it's a Cat 2 VB, which is a drastic change for this property because it not only affects the chimney repair but we are dealing with all 4 trades of the house - that takes a lot of time (inspections, subcontractors, inspections) and the costs increase; they can fix the chimney problem; in the older houses, it opens up a can of worms
-is there an option where we can fix the chimney and then can offer the property or does it have to be that drastic of a change?

Mr. Mykerezzi:

-if he sees the code compliance inspection report and it says that everything looks fine except for the chimney, then, I will go ahead with rehab, as planned

Ms. Moermond:

-she is stuck with a building having been identified as being vacant with major code violations going on and the Cat 2 registered VB is hanging over it; and she doesn't have a legal way to get you out from underneath that
-if it were a rental property, which it's not (but probably will be), there would be a possibility of getting a Fire C of O put into place for this but that's not an option in this case (owner-occupied property)

-all she has is a TISH, which tells us that there's a fair bit that still needs to be done with this house; there's a lot of below standard items on the TISH: plumbing, venting, chimney liner, roof, windows, more venting, some carpentry work on the exterior, more venting, etc.

Mr. Stojmenovic:

- there are many things below standard because of when the house was built: the water meter in the basement is below ground and is covered; it's perfectly protected; in this case, we would probably not have to do anything with it because it works; but if it's a Cat 2, we immediately need to bring it up to code - take the water meter above ground; some things are not fixable because that's how the house was built - basement ht is not 6'8" or 7' in the basement; if it's not labeled a "Cat 2", many of those things are grandfathered-in

Mr. Mykerezzi:

-contractor's estimated range of cost: \$15,000 - \$45,000 for the work we are aware of; did not talk numbers in writing because he hadn't closed on the place

Ms. Moermond:

-she can't make this go away; it is appropriately a Cat 2 VB; has major code violations
-she can help with the VB fee (over \$2,000)

Mr. Mykerezzi:

-thinks that the turn around time will be from 60-90 days once they get the property (inspections, sub-contractors, more inspections, bids, etc. waiting for those things prolong the project timeline)

Ms. Moermond:

-asked Ms. DeMaster to call her contact at the law firm to find out who the underlining investor is
-she can do a VB fee waiver for 120 days; so, if you finish the project in that time period, she will recommend that no VB fee is processed
-thinks that it's possible for the bank to agree to reducing the price
-it's obvious to her that Ms. DeMaster got screwed; there was negligence of a whole lot of people; the company who pulled the permit for the roof, Stintson from Hopkins, should go to the State of MN, the Dept of Administration, who oversees licenses of contractors (Ms. DeMaster: we've done all of that); their license should have been yanked; wishes there was more that she could do
-she thinks that the city can help problem solve where things are at
-her advice: don't make another payment on the mortgage or taxes; (your taxes are up-to-date; you are in no danger of losing this thru tax forfeiture) if the taxes are left unpaid for 5 years, then the county would start forfeiture procedures and probably get the property in Aug of the following year

Ms. Vojacek:

-commented on the judicial foreclosure process: typically, in a situation with this type of property, they do non-judicial foreclosures; they go thru the process and they don't go after you for a deficiency judgment; you may get a 1099 but the mortgage debt forgiveness has been forgiven thru the end of 2015 now and may extend it to the end of 2016
-she sympathizes; a lot of folks got screwed during that time period; explained that foreclosure is not a bad thing in today's world; in 3 years, you can go out and get an FHA mortgage

Ms. Moermond:

-once it's been identified this way, we have to engage it
-the next step: get a hold of the Nycklemoe lawyers (Christy _____); maybe, Michelle Vojacek can help communicate with those attorneys and once we know the underlying investor, we can work with them, as well, if it's Fannie Mae
-if the bank decides that they would rather foreclose on it and handle it on their own, that's OK, too
-ideally, it would be nicer if we can get it into someone's hands who's going to fix it and get someone living there again, sooner than later
-right now, Ms. DeMaster will get info from her attorney, Christy, which can be shared with Ms. Vojacek
-the buyers are sticking with us (looking for a write down in the range of \$55,000-\$65,000); doesn't matter how long but the inspection report will be helpful to decide for sure; a neighbor boy is shoveling the sidewalk
-Ms. DeMaster will contact Reid Soley to apply to do the code compliance inspection (potentially scheduled for Fri); provide him with the lock box combination
-Ms. Vang provided Ms. DeMaster with an application for code compliance inspection
-will LAY this OVER to Tue, Jan 26 LH at 2:30 pm

Recommendation is forthcoming.

Laid Over to the Legislative Hearings due back on 1/26/2016