



CITY OF SAINT PAUL
OFFICE OF THE CITY COUNCIL
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October 31, 2019

Brent G. Johnson
PO Box 4603
St. Paul, MN 55104

Judy Carvalho
PO Box 4603
St. Paul, MN 55104

VIA U.S. MAIL

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RE: Remove or Repair of the Structure at 578 Lafond Avenue

Dear Mr. Johnson and Ms. Carvalho:

Immediately before the City Council Public Hearing on October 23, 2019 regarding the above-referenced matter, I met with both of you about my recommendation that the City Council continue this matter from October 23 to November 6, 2019. This recommended continuance was to give me time to more carefully review the financing information provided for the rehabilitation of this fire-damaged structure. Documentation of financing is a standard condition to receive a grant of time to rehabilitate a nuisance/dangerous structure. The other conditions outlined in the October 8, 2019 letter to you were met.

In summary, the financing information I have is as follows:

- State Farm released \$168,274.82 for the actual cash value of the damaged property at the time of loss;
- You have used approximately \$54,000 of this disbursement toward repairs;
- You have approximate \$113,000 remaining of this disbursement and you provided an affidavit indicating the money would be set aside for rehabilitating the property;
- State Farm initially indicated you would be able to claim up to a total \$220,811 of costs incurred, if those funds are expended and work completed within 2 years of the date of loss (November 16, 2017);
- Following the review of your Public Insurance Adjuster, this amount was adjusted upwards to \$275,057.48;
- The scope of work indicated the rehabilitation of this property would cost \$277,294.68; and
- If all the funds were dispersed, there would be a shortfall of at least \$56,000 to complete the project using the existing scope.

I shared my 2 main concerns with you on October 23:

- It was not clear in my review of the documents provided that the insurance would release additional funds, bringing you to a total of \$275,057.48 in insurance proceeds; and

- Even if that total amount were dispersed, it was not clear how the \$56,000 + shortfall would be addressed – although you did provide account information that you had that amount of funds available from other personal sources.

Per your request, I contacted Ben Johnson, your Public Insurance Adjuster, to learn more of the specifics of your claim. I have attached our email exchange on State Farm payments and potential payments to you for your loss. I believe the key information from this correspondence is as follows:

- State Farm required that you complete the rehabilitation of the property within 2 years of the loss (November 16, 2017) – this is not possible given the magnitude of the work and the fact that the work plan provided by Marcial Obregon at Taylor Brock shows completion of the final phase of work by May 31, 2020;
- If you do not qualify to receive the additional \$106,782.66, current project financing is insufficient; and
- State Farm did indicate they would consider paying these replacement cost benefits prior to actual repair or replacement if they determined repair or replacement costs would be incurred because repairs were substantially under way or you presented a signed contract acceptable to them – I have not been informed that State Farm has accepted such a contract.

In considering this matter, I believe there are two ways I would recommend the City Council grant time for the rehabilitation of this property.

- Documentation that State Farm has accepted a signed contract, as described above, and clear evidence of other financing to cover the (additional) anticipated gap in financing; *or*
- A revised scope of work which addresses the items in the October 15, 2019 Code Compliance Inspection Report with bids which does not exceed available funds.

I anticipate you will want to consider this matter and communicate with your insurer and Public Insurance Adjuster prior to committing to a course of action. Please communicate to me with specifics on your plans to rehabilitate or demolish the property. I am willing to ask that this matter be referred back into Legislative Hearing November 12, 2019 in order that these items can be discussed more thoroughly. If I am able to approve your plans prior to the scheduled November 6, 2019 City Council Public Hearing, it will not be necessary to conduct an additional Legislative Hearing. In the absence of a plans or a response to letter, I will be obligated to recommend that the City Council order the building removed.

The City Council Public Hearing is on November 6, 2019 at 3:30 p.m. in Room 300 City Hall.

If you have questions, please reach me through my Hearing Coordinator, Mai Vang at 651-266-8563.

Sincerely,

Marcia Moermond

Marcia Moermond
Legislative Hearing Officer

c: Carla Obregon, VIA EMAIL: pmd@taylorbrock.com
Ben Johnson, Public Insurance Adjustor, VIA EMAIL: ben@benjohnson.com
Steve Magner
Joe Yannarelly
Vicki Sheffer
Reid Soley