

City of Saint Paul

15 West Kellogg Blvd. Saint Paul, MN 55102

Minutes - Final

Legislative Hearings

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Tuesday, March 24, 2020

9:00 AM

Room 330 City Hall & Court House

9:00 a.m. Hearings

Remove/Repair Orders

1 RLH RR 19-23

Ordering the rehabilitation or razing and removal of the structures at 1179 SEVENTH STREET EAST within fifteen (15) days after the September 11, 2019 City Council public hearing. (Public hearing continued from September 11)

Sponsors: Yang

Layover to LH April 28, 2020. PO/Consultant to provide updated letter from LISC with status and details of application.

Lisa Kugler, consultant, appeared via phone Kenneth Udoibok, pastor, appeared via phone

Magner Staff report: letter sent February 28 layed the matter over to today for the following conditions, one, to meet with feasibility consultant Lisa Kugler and Planning and Economic Development Staff, two, a schedule for bringing development forward and three, the property must continue to be maintained.

Moermond: I know you had trouble connecting with someone from PED. Kristin Guild has reviewed your materials carefully and I've spoken with her a couple of times about it, and she doesn't think it looks promising in her initial assessment. It includes March 18 for Neighborhood STAR, and that deadline has gone and went and that was a critical part of what you were proposing, along with tax credits, and I'm growing more skeptical over time to the ability to pull this off. I want to turn it over to you to hear concrete steps you're taking, the first one came and went last week.

Kugler: we had both a private non-prevailing wage option and a public. STAR is competitive and we aren't likely to get much, so we are going the private route, so we didn't apply. It is not necessary for the private option, and there's a 30% premium for prevailing wage and we're trying to stay below that.

Moermond: the information I got was that you wanted to do an SRO 1.4 million dollar option, if it is different now I need you to put that on the record.

Kugler: it is in the feasibility study on page 5. There are two options, one says private

an one says public. Both include commercial and housing, one is 1.1 million and one is 1.4 million. We have decided given the issues with prevailing wages, that we're going to try to go private using only funding that doesn't require the prevailing wages. Pages 5 doesn't list Neighborhood STAR in the private column. Historic tax credits are a key component, at least the State level, and Charlene Roise of Hess Roise, she is doing some preliminary work to see what our chances are of getting on the national register. The firm's track record in getting properties on the record is 100%, including Cedar Riverside. Her opinion is critical about the tax credits. As soon as she hears back from SHIPO we'll understand that. That is the go/no go options. I've done a lot of federal home loan banks is up to \$40,000 a unit and requires 50% of the median. The deadline is in May. The LISC mini-perm is a five-year loan and as soon as it shows stability it gets refinanced at a lower rate. It has been sent for review. I've been on the job since early February, I understand this has gone on a lot longer, but you need to give me significantly more time, I'm not a miracle worker, but I've already lined up the financing and what can be done. It is also possible that we can go ahead and get an alternative financing to LISC but that's what we're counting on at this point. We may also qualify for a bond, though it is on the small side. I think it is feasible, I've done dozens of projects. I think Kristin looking at the public funding would be somewhat concerned, but it is not realistic to say after a minimum review you'd demolish the building.

Moermond: please understand that's not what I'm saying at this point. My perspective is how does this happen the building can be saved, or the equity in the building for the owners, and if they can't do the project someone else has the opportunity to so the building isn't lost. I understand there's humans behind it and plans need to be made, I'm glad you're involved, and I've heard good things about your abilities. My goal is to make a viable plan and what that looks like we are trying to figure out. You have owner equity of \$50,000, and also the LISC mini-perm loan and the \$25,000. I don't have any information on those applications having been made, can you give me more info on that for our records?

Kugler: LISC loan, a request was put in, they're a private lender, so there isn't a formal application. I filled out a request and it in process. You did get a letter from them when started saying that was the case, if you need one saying they have an application and they are reviewing it, I can get that. The 2% loan is the City's program, and there's no point in applying until we have the LISC loan because that's the participation.

Moermond: so I'm trying to find the letter you provided from LISC.

Kugler: that letter says generally interested.

Moermond: something more specific would be helpful.

Kugler: sure, I couldn't at that time, but I can now.

Moermond: that's the kind of step I want to put on the record to show progress. The only funding I've heard so far is the GoFundMe.

Kugler: this is not a private fundraised project. This is an economic entity. The reason for the tax credit is it has historic value. It will pay taxes and has cashflow to meet requirements of LISC lending program.

Moermond: before I saw your report, I told you what I knew for the money. I see the report and the options, and I'm trying to map how we're getting from where we were

before your involvement to where we're going. You said there was a May deadline on LISC. It says there is \$50,000 in private equity.

Kugler: that's the down payment they already made on the contract for deed. That's already there. Sources and uses have to balance, so the use is purchasing the property and paying off the contract. That \$200,000, they've paid \$50,000.

Moermond: the organization doesn't have any more money, so it is not at all funded by the church then.

Kugler: the \$50,000 was funded by them.

Moermond: right.

Kugler: they don't have the rest of the money, but like most developers, the cliché is "other people's money."

Moermond: but they're not developers, they're a church.

Kugler: but they've hired someone who can be the developer. The \$200,000 with the May deadline is the Federal Home Loan bank affordable housing program. The go-no/go issue is the tax credits. Usually those questions can be answered fairly quickly, within a couple weeks. In the current work at home situation I'm not sure how quickly we will get that feedback, but I think if the tax credits don't appear then the property needs to be sold by the church.

Moermond: is there a contract in place with the firm who is doing the evaluation and prepping materials for the historic designation?

Kugler: no, I was waiting for the response from LISC before we fund that. It is not inexpensive. My suggestion is given how slowly things are going it would make sense to give me a month, I'll get you the letter form LISC, but give me a month to get the commitment for the loan and the funding and to get a firm idea of the tax credits and a contract with Hess, Roise & Co.

Moermond: what's your estimated cost for that analysis?

Kugler: the preliminary look is done as a favor to me. The historic designation is \$20,000 to \$25,000. Part of the LISC request is predevelopment money to pay for that and pay for me. To date the church has paid for me.

Moermond: have you looked at Legacy grants to fund that work from Hess Roise and you?

Kulger: yes, but there is a timeline within the feasibility study with a preliminary application and then the final, it is not until June, it is really too late. Once the Hess work is done its 90 days with SHIPO at the State, and 45 days with the Park's service. They said they are trying to meet the statutory deadlines, but it is unclear if they can. I figure five months plus a month for Hess Roise to do the work, so waiting until June doesn't make sense. Legacy money for the project would be great except it requires prevailing wages.

Moermond: would that prevailing wage requirement apply to the whole project?

Kugler: the whole thing. There used to be higher threshold, but it was \$2,000 when I looked at the STAR Grant. Using public money makes it easier but it is putting tog a lot of pieces for a small project, in a long line of people already. It just seems better both cost and timing to go for the private. One of the reason nonprofits do these projects, is there isn't any real profit in it. It is minimally profitable. In a month I think we could have a progress report about both tax credits and LISC financing.

Moermond: the last thing I wanted to ask about was, let's say it is approved on the national register, tell me about the tax credits being used by a nonprofit entity like the church.

Kugler: they are setting up a nonprofit where they are not church related for which they will just be the tenant. Typically they set up a for-profit LLC, with one member that is the nonprofit. That meets the tax credit requirement of having it be a for-profit owner and for-profit uses.

Moermond: I'm going to continue it and let's get the letter from LISC. I'll let PED know where you're thinking is on this. What you're saying about private versus a combination of both makes perfect sense. I'm not surprised to hear you say that.

Kugler: I wish there was a different kind of exception, maybe the City can change the rule at some point. The prevailing wage rule. The federal rule exempts housing projects with 8 units or less. Your rule doesn't.

Moermond: I don't think that's changing today. To be clear the Federal Homeloan deadline is May, and LISC would be getting you feedback when?

Kugler: soon. The national office is in New York, so how quickly they process things now I'm not sure. It was submitted 2 weeks ago.

Moermond: so let's say you get feedback that says LISC is ready to move forward with discussion.

Kugler: they would ask for a more detailed application, they'd want tax credits and an appraisal and zoning. The due diligence underwriting.

Moermond: so essentially please come forward with a more complete application, we like the idea.

Kugler: the question is progress on this goes as fast as it goes, I know it has been vacant a long time and had its problems, but as long as it is maintained, does the City's interest—it takes a while to get this all put together. We won't get a firm commitment from them until it gets on the register.

Moermond: going back to getting LISC a complete application, where does the money come from to pay you to develop that and the historic preservation analysis, or what?

Kugler: LISC has funds that are called recoverable grants, if the project goes forward the money is repaid, if it doesn't go forward and there's no source of repayment it is a grant. One version of that I've been talking to them about is having a loan that is a first mortgage that pays off the Contract for Deed and includes predevelopment money and that way they have security for the property. That's the way I would like to go and that is more available than the recoverable grants. It is not my decision to make, they could go either way, but the money for tax credit work and me would come from LISC. I

might we willing and able to move forward some on the assumption the project is going to happen. I could wait a while to get paid.

Udiobok: she's very generous.

Kugler: legacy rules don't allow work that occurs in advance to be paid for.

Moermond: I think that's exactly right. When LISC tells you they want a more complete application, they would hear you wanted predevelopment funding and give it to you at that juncture?

Kugler: yes, that was part of the request.

Moermond: you're predevelopment funding is probably around \$50,000 is that right?

Kugler: yes

Moermond: and then the attorneys to set up the nonprofit and private firm, is that included in that?

Kugler: Kenneth has friends who are attorneys and doing that pro-bono.

Moermond: let's get the letter in. I'm going to continue this for one month. I also understand these things take a while; in many cases it takes a crisis to catalyst change. We started this in August of 2019. I get it takes time, but it is apparent to me that I need to ride herd on it to get action, and I will continue to do that. The existing order is a call towards action. I am pleased you are taking the steps you are. April 28 we'll discuss this again.

Laid Over to the Legislative Hearings due back on 4/28/2020

2 RLH RR 20-14

Ordering the rehabilitation or razing and removal of the structures at 975 MARSHALL AVENUE within fifteen (15) days after the April 8, 2020, City Council Public Hearing.

Sponsors: Thao

By close of business March 30, 2020 PO to provide affidavit setting aside project-specific funds and an updated work plan done in accordance with the Code Compliance Inspection

Anthony Basset, construction funding LLC, mortgagee on property appeared VIA phone

Sean Skrypek, MN premier properties, o/b/o David Zinz, owner of Minnesota Premier Properties LLC, appeared VIA phone

Staff report by Supervisor Steve Magner: a letter was sent March 12 regarding this property laying the matter over to today for the following conditions, one, submit a \$5,000 performance deposit with DSI, two, provide poor of financing including affidavit setting aside project-specific funds; three, provide a completed work plan in accordance with code compliance inspection and the property must be maintained.

Moermond: so I have these materials, and my understanding from staff is you indicated the performance deposit was posted yesterday.

Skrypek: yes

Moermond: it is not showing up in our system yet, but that's not a surprise. The code compliance hasn't been generated but it is ready to be generated. I'm going to follow up with our staff about that. The work plan is going to be based on the code compliance, so you may have revisions once you have that code compliance. I'll look for a revised one with signatures once you have that code compliance. The documentation you provided for financing, it looks like there is adequate financing, but I'm not sure whose account I am looking at

Skrypek: I did ask them about that, he said he can't print with his name on it.

Moermond: whose money is it?

Skrypek: David Zinz, MN Premiere Properties. He's the sole owner, chief manager.

Moermond: so the name on the account is MN Premiere Properties. He would be the signer for the LLC. We do need a a signed affidavit setting aside the funds for this project. If you can get that to us by March 30, that would be just fine. Mr. Magner, has the property been maintained?

Magner: yes.

Moermond: Epik Company, the contractor, do they have the subcontractors in house? Are they the general and hire out?

Skrypek: I'd be guessing, so I'll submit that additionally.

Moermond: right now I have a bid for the whole thing at \$126,000, just how do their costs break down within that? But the number looks pretty reasonable. Magner, do you have any insight?

Magner: I had no concerns.

Moermond: so a description of that would be helpful. I think that's all we have for you guys, it is moving along nicely. We'll send a sample affidavit to you this morning.

Referred to the City Council due back on 4/8/2020

3 RLH RR 20-15

Ordering the rehabilitation or razing and removal of the structures at 2022 STILLWATER AVENUE within fifteen (15) days after the April 8, 2020, City Council Public Hearing.

Sponsors: Prince

By April 2, 2020 PO must 1) Post a \$5,000 performance deposit with DSI; 2) provide proof of financing including an affidavit setting aside project-specific funds (at least \$50,000, final amount determined by sworn construction statement); 3) provide a completed work plan including sworn construction statement, contractor bids, and timelines done in accordance with the Code Compliance Inspection; and 4) the property must be maintained.

Kim Sorn Theng, owner, appeared VIA phone

Staff report by Supervisor Steve Magner: March 13 there was a letter sent laying the

matter over to today for the following conditions, one, submit a \$5,000 performance deposit with DSI, two, provide poor of financing including affidavit setting aside project-specific funds; three, provide a completed work plan in accordance with code compliance inspection and the property must be maintained.

Moermond: has the \$5,000 performance deposit been posted?

Theng: no.

Moermond: why not?

Theng: I waited for the report to see what I needed to do. I have the money on hand. I just got the report this Saturday.

Moermond: so you haven't submitted anything?

Theng: I gave you my line of credit 2 weeks ago, you might have copied it.

Moermond: It is not in our paper file.

Theng: I think I gave it to Ms. Vang, US Bank, \$200,000.

Moermond: I'm not going to be patient with excuses that this inspection took a long time when this building has been in your possession a long time and this has been a registered vacant building since 2008, and you've owned it for most of that time.

Theng: yeah, my son he bought it, that's why I took over. Just in January this year, we planned to do it this year.

Moermond: this is scheduled to go to Council April 8. We still need the performance deposit posted.

Theng: I waited for the code compliance report, I didn't get it until Saturday.

Moermond: you need to put together a work plan or scope of work using that code compliance, dated March 19. That needs to be reviewed and approved by Mr. Magner and I by April 2, 2020. That plan has to be approved, so sooner is better than later in case it needs revisions. Performance Deposit needs to be posted by that time, and you need to continue to maintain the property. Any questions?

Theng: no.

Moermond: you'll get a letter confirming the details and hopefully I can recommend you get a grant of time to do the rehab. A reminder you need contractors because it is not owner occupied.

Referred to the City Council due back on 4/8/2020

Making Finding Orders

10:00 a.m. Hearings

4 RLH RR 20-21 Making finding on the appealed substantial abatement ordered for 1146

PAYNE AVENUE in Council File RLH RR 19-22.

Sponsors: Yang

Nusiance is abated and matter is resolved.

No one appeared

Moermond: my understanding is that this property has received its Code Compliance Certificate.

Supervisor Steve Magner: correct.

Moermond: so nuisance is abated and matter resolved.

Referred to the City Council due back on 4/8/2020

11:30 a.m. Hearings

Orders To Vacate, Condemnations and Revocations

5 RLH VO 20-13 Appea

Appeal of Eileen Ciuraru or Richard Ciuraru to a Notice of Condemnation as Unfit for Human Habitation and Order to Vacate at 1616 MINNEHAHA AVENUE EAST.

Sponsors: Jalali

Condemnation can be lifted once property is inspected the week of April 6 (placard can be removed from property now). Everything in item 1 and 2 must be done to lift condemnation. Balance of orders to be a correction notice with six week deadline following the inspection.

Eileen Ciuraru occupant, appeared VIA phone Richard Ciuraru, owner, appeared VIA phone Lauren Lightner, Ramsey County House Calls, appeared VIA phone

Steve Magner staff report: I did review the photographs; it looks like there's significant progress. We obviously aren't aware of the rest of the picture, so I can't give further insight other than what's in the photos.

Lightner: I did meet with the family last week after the hearing. There is a dumpster on site, they started using it right away, I have reviewed all the pictures Willie Williams sent that Eileen has taken, it does appear there is great progress throughout the home. I don't know about the dryer venting, any licensed people, other than that it looks like they've been very cooperative.

Moermond: will you describe where things are at from your perspective with the list on the March 10 letter?

Richard Ciuraru: I'd say were 60 to 75% decluttered, we fixed the bathroom floor and hole in ceiling in dining room, we fixed the hole in the back door, we've been working hard the last week.

Moermond: fantastic. Things are well underway. Have you looked into hiring an

electrician yet to deal with the exposed wires and fixtures?

Eileen Ciuraru: do I just need them to hang the lights back up?

Magner: the owner of the property can do electrical with a permit if it is required. If it is simply just reinstalling a fixture that isn't here, it can be done without a permit. If they are able to do that, they can reinstall the existing fixture or repair as needed. Same applies to switch plate covers, things without a permit. Installing or modifying something they would need a permit.

Moermond: they would need a permit to dael with the water heater situation, and other items.

Magner: yes, that needs a licensed plumber.

Moermond: and the dryer venting? Item G, it may require a permit?

Magner: if the dryer is functional and just replacing the existing dryer exhaust, they would not need a permit, if they are reinstalling or installing a new dryer they would need a one.

Moermond: does that make sense? If you are putting in a new dryer you need a permit, otherwise you can do it. I need an inspection by an Inspector, but it looks like you have addressed most of the major concerns. I think we'll put an inspection the week of April 6, you'll get a letter from Willie Williams, he may also reach out by phone, with an appointment time, and he will look at the repairs and document them for the City. We'll convert the rest of these items to a regular correction list, with a deadline six weeks out. Sounds like we can lift the condemnation and order to vacate as soon as he has eyes on it.

Do you have a placard on the door right now?

Richard Ciuraru: yes

Moermond: you can remove that now.

Magner: we're staying the vacate, April 6 week reinspection, and after that if they are in compliance the other items are converted into a correction notice with a six-week deadline following the inspection. Looking at the list, which items have to be completed?

Moermond: one and two.

Magner: A, B, C, D, E, F, G, I, J and then K?

Moermond: and all of item 2. Mr. Magner was looking back at the letter dated March 10, and was confirming which items needed to be done to make sure the condemnation was lifted. He was confirming everything in item one, A-K, except for H, needs to be done, and item 2 needs to be done. But items 3-7 we can put a longer deadline on. Those are the things Inspector Williams will be looking at. I think that I'm comfortable with you removing the placard from your house.

Lightner: you did get the application for the St. Paul foundation for the longer-term items on the house, I encourage you to submit that.

Richard Ciuraru: I just need to get my pay stubs together, that's all I'm missing right now.

Referred to the City Council due back on 4/8/2020

2:30 p.m. Hearings

Vacant Building Registrations

6 RLH VBR 20-23

Appeal of Wei Zou to a Vacant Building Registration Fee Warning Letter at 2002 BUSH AVENUE.

Sponsors: Prince

Waive the VB fee for an additional 60 days.

Referred to the City Council due back on 4/8/2020

7 RLH VBR 20-19

Appeal of Thomas Lieberman to a Vacant Building Registration Notice at 1515 MARSHALL AVENUE.

Sponsors: Thao

Grant the appeal of the VB registration notice and the revocation of the Fire C of O. (Owner to allow for inspection of interior of property)

Thomas Leiberman, owner, appeared VIA phone

Moermond: revocation of a certificate, and 2 items listed, smoke detector and holes in exterior walls. It looks like he hasn't been in the property. Is this the first inspection?

Staff report by Leanna Shaff: Revocation of the Fire C of o by Jack Toeller, in it he revoked because he said it was obvious it wasn't occupied. He wrote orders on exterior and referred to VB program.

Moermond: so we have a revocation based on lack of access into interior on the first inspection.

Shaff: he believes it to be a vacant building.

Moermond: so this isn't about revoking necessarily, more turning it over to the Vacant Building program. For this particular one, he has some exterior violations, then it may get turned over to Vacant Building if no one is living there, and they can make a decision, but if it's a bad renter and someone living there, we need a Certificate.

Shaff: the Vacant Building files were opened February 28.

Moermond: is this what happens if you visit a property and it appears to be vacant?

Shaff: typically, we would issue orders for allow access.

Moermond: let's grant the Vacant Building registration notice. The revocation of the certificate dated February 25, I'm going to recommend the Council grant an appeal and there should be at least one other attempt to get inside before it is revoked and

referred to Vacant Building. You just need to provide access to the property.

Referred to the City Council due back on 4/8/2020

8 RLH VBR 20-20

Appeal of Thomas Lieberman to a Vacant Building Registration Notice at 1519 MARSHALL AVENUE.

Sponsors: Thao

Grant the appeal of the VB registration notice and the revocation of the Fire C of O. (Owner to allow for inspection of interior of property)

Thomas Leiberman, owner, appeared VIA phone

Staff report by Supervisor Leanna Shaff: there is more written on the exterior, some was written by Joe Brown back in June of 2018, it appears that at that time it was made a Vacant Building Category 1, I don't know why it was released from the VB program as the deficiencies are still an issue, but we still need access. When Jack Toeller went to inspect he says it is vacant, or appears vacant, exterior issues still. I'm under the understanding that all 3 of the properties have been purchased, but it doesn't close until the fall.

Moermond: why is that pertinent right now?

Shaff: there are others that believe that having a purchase agreement stops enforcement action. There's no provision in the code for that.

Moermond: so we have a similar situation, where the inspector hasn't had interior access and revoked, but it was premature. Where are you at in terms of allowing access to these?

Liberman: I have the keys for 1515 and 1519 now. I ended up getting a property manager, Keith Taylor, he had the keys, and he was supposed to help me because the city wants property managers and not the owners, they want quick access to who is responsible from what I understand. That's why I'm saying I got keys now, because I didn't have them a month ago. 1525 I can meet the Inspector there, and we can go through the places, and he can write up whatever he wants. They were livable and I thought they were nice houses, I bought them after I sold another property to supplement my income because I'm disabled from work. I got a property manager because I didn't realize I was going to have to be babysitting people who were living in these houses, part of why I'm disabled is because I ended up babysitting people at work and it is stressful. I have seen, from a distance, the complaint on 1519 when I was at the real estate office from the lady across the alley. When I first bought those properties, I had nightlights put on behind all 3 houses, it was really dark and everyone was whining and crying that their gas was being siphoned and cars and garages were being broken into. So, me, being a property owner, I decided that I should do something to alleviate that situation. 1519 I had a renter who had a drinking problem, and the woman across the alley called me several times, and she said the guy was laying in the backyard drunk and his girlfriend was running around naked kicking him to get him in the house. I had to take him to housing court, and I did that with the property manager and he decided he still wanted his brother to pay rent and his brother wasn't paying and ended up being incarcerated, and the guy living in there was going to have to pay rent by himself and he didn't pay the water bill so therefore I had to go to housing court. Have you seen those complaints?

Moermond: I haven't looked at them. All I'm looking at is the letter revoking your certificate and your Vacant Building notice. When I look at 1519 Marshall, I think mainly what we need to do is have you allow access to the interior, and then we'll have something more concrete to talk about should you need to appeal in the future. If you are read to provide access, I'll grant the appeal on both of those things and hit the reset button.

Referred to the City Council due back on 4/8/2020

9 RLH VBR 20-22

Appeal of Thomas Lieberman to a Vacant Building Registration Notice at 1525 MARSHALL AVENUE.

Sponsors: Thao

Grant the appeal of the VB registration notice and the revocation of the Fire C of O. (Owner to allow for inspection of interior of property)

Thomas Leiberman, owner, appeared VIA phone

Staff report by Supervisor Leanna Shaff: we're at the same point, again, Jack Teller wrote orders on the exterior but without interior access.

Moermond: did you just say you don't have keys for this property?

Leiberman: no, I have always had keys.

Moermond: I'm going to recommend Council grants your appeal on this one as well. You'll get a phone call from the Inspector to schedule an appointment with you to do the inspection. About your appeals, you'll receive a letter for each of the 3 properties from Joanna Zimny.

Leiberman: is there any grants I would be able to get or any loans if these properties aren't up to code? To give me help, since I'm on a limited income, and also 1515 I'd like to sell to somebody on a contract for deed, there are a lot of people that are homeless, I got someone in there who was homeless and she wanted to dig a fire pit.

Moermond: you asked about loans or grants, do you have computer access? The City's department of Planning and Economic Development has a Rental Rehab Program, they have money to do repairs. I'm going to let them speak to what's available, we can include this information in the letter we send you. You also may qualify for tax credits for affordable housing, I don't operate that program, but I can refer you to it. As far as who to have as tenants, I encourage you to choose and screen tenants that are appropriate for a residential neighborhood. I encourage you to look into taking the Landlord 101 class, it is actually item 8 in your 1519 Marshall orders.

Referred to the City Council due back on 4/8/2020