



Upper Minnesota Valley
REGIONAL DEVELOPMENT COMMISSION
Helping Communities Prosper

323 W. Schlieman Ave. Appleton, MN 56208 320.289.1981 www.umvrdc.org

Strategies for Dealing with Substandard Buildings in Your Community

January 11, 2019 12:00 – 3:30 p.m.

Appleton Civic Center

SUMMARY AND NOTES

Agenda:

- 12:15 Housing Data Presentation – UMRDC Sr. Planner, Kirk Bustrom
- 12:45 Local Example Panel
- Clara City Housing Study - Planning and Implementation: Windy Block, Clara City Administrator
 - City of Clinton – Rental Ordinance: Kari Wiegman, Clinton City Clerk (*Unable to attend*)
 - City of Benson – Enforcement: Police Chief Ian Hodge and Sergeant Paul Larson, City of Benson
 - Swift County – Rehab projects: Vicky Syverson, Swift County HRA
 - Lac qui Parle County - Definition of dangerous properties: Rick Stulz, Lac qui Parle County Attorney
 - City of Bellingham – Demo and Awareness: Randy Larson, Mayor
- 2:30 Round robin discussion: Share your examples and issues
- 3:15 Wrap up and next steps

Housing Data Presentation – UMRDC Sr. Planner, Kirk Bustrom

Data Analyzed

- Housing Units
 - Occupancy/vacancy
- Year Structure Built
- Historical Value

Key Findings

- Total housing units remain mostly stable across the region throughout the last decade
- Vacancy rates have decreased by half over the last decade
- Nearly 79% of the total 22,131 current housing units were built before 1980
- 32.46% of all housing units in the region were built before 1939

Key Regional Housing Assumptions

- 22,131 existing housing units
- If you assume a housing unit lasts 100 years, then 1% of your housing stock needs to be replaced each year. This is 221 housing units per year, or 2,213 over 10 years.
- If you assume a 7.64% continued decrease in households you will need 169 less, or 2,044 over the next 10 years. This all assumes zero growth

2018 Canby Housing Assessment – Preliminary Excerpted Data (downtown residential)

Data

- Excerpted data for 634 housing units surveyed
- 28% assessed as substandard-minor
- 11% assessed as substandard-major
- 1.4% assessed as dilapidated

Data utilized for purposes of identifying and quantifying existing housing inventory and submittal of a 2019 MN DEED SCDP housing and commercial rehabilitation funding application.

Clara City Housing Study - Planning and Implementation: Windy Block, Clara City Administrator

City Administrator Windy Block provided a handout highlighting strategies they are working on in Clara City. The handout included a copy of their Housing Study, the RFP, the list of consultants they sent it to and the key findings from the study. These can be found on the RDC website.

The City developed a RFP for a consultant to complete a housing study. They hired Community Partners Research Inc to complete the study for a cost of \$9,600. The cost for the study was shared between Citizens Bank, Clara City Telephone and the City.

The recommendations from the study are many, but the community decided they needed to start somewhere with the list.

They determined to work on the following items from the list of recommendations:

#10 – Identified several areas in the community for development. Are closely looking at infrastructure availability and costs.

#15- Previously completed a SCDP application with the UMRDC and it may consider doing another one.

#19 – Working with several cities in the county to make recommendations to Chippewa County to develop a demolition cost share program.

#23 – Contracted with the SWMHP to look at some redevelopment potential for the old school.

City of Benson – Enforcement: Police Chief Ian Hodge and Sergeant Paul Larson, City of Benson

Police Chief Ian Hodge and Sgt Paul Larson shared Benson’s process for implementing the city of Benson’s public nuisance code. Copies of the “nuisance tag or “pink sheet” and their ordinance and enforcement code is on the RDC website.

On an annual basis, Benson issues between 150-175 citations, which include properties that have not been maintained or may endanger the safety of others. A few years ago they changed the procedures to expedite the process and include some teeth to the enforcement.

1. Their current process includes with the first citation posting a “pink sheet” on the door of the home or giving it directly to the homeowner if at home. The pink sheet includes in VERY specific terms what the issues is and what they need to do. They also document the issue by taking pictures.
2. The homeowner is given two weeks to deal with the issue (less if it is an immediate hazard). If it is not handled they are given a \$125 citation and another chance to comply with the issue.
3. If it is not handled within the next two weeks the City makes arrangements to have it dealt with and they bill the cost to the homeowner through an assessment on their property taxes.

They have a 90% compliance through this process where the homeowner deals with it themselves.

In 2013, they were issuing 42 citations and in 2018 they issued 220 citations, so the issue is growing but it is also being dealt with. Out of the 220 in 2018, only two came to a hearing in front of the city council.

Law enforcement might have the best training in a city to deal with this issue as they are used to dealing with conflict and enforcement issues.

Because the ordinance is very specific, and the enforcement process requires specific documentation for the citation, there is very little legal attorney fees incurred by the city.

It does require that a good portion of a police officer’s time is dealing with this issue. Not all officers in the police department handle this so that the enforcement process remains consistent and often that officer is able to establish a relationship history with the citizens that they are dealing with.

If the situation happens at a rental location, both the property owner and the renter may receive a citation.

Swift County – Rehab projects: Vicki Syverson, Swift County HRA

Swift County has a unique program where they have acquired properties either through tax forfeiture or donation and then rehabbed the property. Vicki Syverson from the Swift County HRA explained the process they go through, the funds used for the projects and what they do with the properties.

Rehab done by HRA

The County has some program income from some old grant dollars that need to be spent on housing related projects. The original source of these funds was MN Housing Finance Community Rehab Funds from before 1998. They do not use levy funds for these properties; they are in separate funds that are self-perpetuating.

The HRA can only sell these properties for what they have spent on them and no more. This is the rule of the original MNHF funds. If they put in \$50,000 can only sell for \$50,000. They are able to recoup their

costs through renting then they sell them this helps regenerate funds into the account they use to rehabilitate other properties. In Kerkhoven the tenant asked to purchase and the HRA Board agreed. Those funds will go back into the original fund.

Swift County HRA currently own 6 homes that are renting – 2 LMI. Three of these homes are rented by people with good income but can't find housing they want. They always plan on doing lead clearance with these properties and utilize P5. In total they have rehabilitated six homes in the county.

Depending on the situation, they acquire properties a variety of ways: they had one property donated, purchased another, and have reviewed and purchased the dept of properties that are going through the tax forfeiture process.

In Benson, the City gave the HRA \$25k to go towards a property that the "owner walked away from" which was tax forfeited. The HRA put another \$75k into the property and currently rents it for \$825 a month and it is not rent subsidized. The home was important in Benson as it is in a good location and the home had a good structure and design. The rehab that was completed includes: emptied the house, the boiler had frozen so new duct work was installed, installed a furnace and AC that heats/cool the basement and main floor of the house, and installed a separate furnace/AC for the upstairs and potentially the attic if the next owner wants to finish it off. Other improvements were two new bathrooms, one on the second floor and one in the basement. Extensive sheet rock was replaced in the house due to water damage. Interior painting and refinished the wood floors.

In Kerkhoven a local resident donated a property, the HRA rehabbed it for about \$20,000. Rehab done: New siding, new electrical, new roof, new furnace and AC. They are now selling the house through a contract for deed.

Tax forfeiture properties

Swift County inspects the homes before taking these on properties. It doesn't always make sense – They must be structurally sound. The Historic house in Benson was expensive, but it was good house with all original woodwork and flooring. They take ownership by paying all back taxes etc.

How to decide what to keep? Most often they try to keep the house – it is someone's home and that is worth a lot. But if a property just doesn't make sense, can use the loan to value cut off from USDA or MN Housing.

Emergency Loan Program

An Emergency Loan Program is used in Swift County for housing rehab. This fund was started when they originally took \$15,000 from savings to start the program. This program runs as an RLF. A tax lien is put on the property.

They must be current on taxes, must be LMI (80% - same as SCDP) and have a note from the bank that they can't borrow locally. The rehab must be a permanent repair. The loan limit is \$6250 (which is also 25% of the typical SCDP loan program).

There are currently 11 loans in repayment, one more in process. Swift County has done 15 loans total. As a tax lien, 7 years to pay, \$75/month 2%. If they take the full \$6,250 and pay it monthly it is about \$75 per month for the payments. No prepayment penalty. If they are late we have the option to increase the interest rate to 3%. The HRA board approves the “loan” and then county board to put the lien on the property

Swift County Demo Program

Swift County Demo program uses different funds. Demo is paid through levy/county, but split 3 ways. Demo projects are eligible anywhere in Swift County. There must be participation by the city/township, county and owner. They reimburse the owner when the work is completed.

A benefit for all these programs: Swift County believes in housing

Lac qui Parle County Dilapidated Structures Program

County Attorney Rick Stulz shared how the county has proactively used the League of Minnesota Cities (LMC) dangerous properties information memo to identify hazardous buildings.

Lac qui Parle County and cities within the county, work together in two different policy areas to address dilapidated structures – adjoining properties and hazardous buildings.

1. Adjoining Properties

In an effort to assist adjoining property owners, the cities and county jointly participate in a program that provides demolition assistance to these property owners if they acquire the property for purposes of demolition. The program does not apply to a property that is acquired and used in any way (i.e. storage, rental, quick resale, etc.). Parcels must be combined as one tax parcel to qualify for the program. The idea behind this requirement is that the property owner will then take care of it and not let it go back on taxes.

The county will match a city’s contribution up to \$2,500 but no more than 75% of the remaining cost after the city’s contribution has been deducted. The property owner has some share in it to ensure that bids are competitive. Some of the cities, such as Madison offer their \$2,500 as a grant and some have created a no interest loan such as Bellingham. The county has matched a loan to the owner for the city’s portion, as long as it does not get assessed to the property.

For example, if the demolition costs \$5,000, the city contributes \$2,500; the county would pay 75% of the remaining \$2,500 (\$1,875, property owner has the balance). *It is a reimbursement policy so that city/county is not part of the demolition process or bidding process.*

The Process

A property owner requests participation from the city, the property owner obtains two quotes for the demolition, completes demolition, and then submits a claim for reimbursement from the city (who typically makes the additional request from the county). Parcels are then combined as one tax parcel. Some neighbors have acquired the property and then split the land when the process was completed.

Examples of Use

- Madison budgets for four properties a year, on a first-come first-serve basis. Other cities seemed to address the funding as needs arise.
- Houses have been addressed in Madison, Dawson, Bellingham, Marietta, Boyd. The policy has not been applied to rural properties.
- The City of Madison has had their program for about 10 years and the county started participating about four years ago.
- To date, the cities and county have required strict compliance with the policy. Requests have been made by non-adjoining property owner to take down properties, but then the question of intended use, continued maintenance, quick sale, etc. arise.

2. Hazardous Buildings

The county and cities have used the hazardous building statutes to address dilapidated houses and abandoned properties. Essentially, this process involves identifying a property that is dilapidated or hazardous, then city council issues an order to either repair or demolish. Cities usually inspect all the properties in town in the spring and identify properties that are falling into disrepair.

While it is not necessary that they have delinquent property taxes, the fact that the owner has stopped paying property taxes is a strong indication that property owner is no longer interested in maintaining the property. With that in mind, the County Auditor sends out a list of properties with delinquent property taxes each year to give the “heads up” to the cities.

It is not always necessary to actually have the property formally inspected. Since the cities have a limited budget, they usually only address the properties that are clearly falling into disrepair. For example, holes in the roof, foundation cracking or separating from the house, open windows, house out of square, trees growing in the living room, abandoned, etc. All things that are easily seen from the street.

The Process

The city identifies a house that needs to be demolished. Pictures are taken, along with a written description of the issues. A letter is then sent out to the property owner to determine their intent. If no response, city council can then issue an order requiring the property owner to either fix it or demolish the house within a certain number of days. The amount of days is not really that important unless you have a property owner that is objecting to the process. If that is the case, the parties usually worked together to come up with a plan to address the condition. Otherwise, if no response, the city can then proceed by default and obtains a court order to enter the property and demolish the house. This involves filing an action in district court. The costs of the demolishing can be assessed against the property or can become a judgment against the owner.

With respect to recover of the costs, assessing the costs to the property may then limit the possible sale and getting it back on the tax rolls. Cities should determine the marketability of the property when deciding whether or not to access it. Collecting on a judgment depends on the financial position of the property owner- who did not have the funds to take care of the property in the first place. That being said, the potential for judgment has encouraged some property owners to sell their properties sooner (or for a more reasonable price) to move it along. In the end, the city will unlikely cover the entire cost and should not go down this process dependent on recovering the costs. It is a means to eradicate dilapidated houses and protect the values of neighborhoods.

The Costs

In Lac qui Parle County, the average costs for the properties they have demolished have been around \$7,500 for a typical house. In Lac qui Parle County, the county will share 50/50 of the costs if a city declares a property to be hazardous. If any money is recovered, however, the county gets paid back first. The question is always asked “Why would the city incur these costs versus just let the property forfeit for taxes and let the county take care of it?”, which is certainly an option. However, the county is required to place the property up for sale- and sell it- by statute. The property then goes to the next owner and the cycle continues. So, the 50/50 share program provides an incentive for the city to address the property before it forfeits, get it cleaned up and hopefully be utilized in a positive manner.

The cost share has been used for large commercial buildings as well. It should be noted that the hazardous building statute and process can also be used to secure properties. For example, open windows or door that can harbor animals. The city council can direct property owners to immediately secure the property or the city can do it and then assess the property for the costs. No court action is needed to just secure the property.

The LMC has a document that is a good reference on key issues to declare a property hazardous. http://www.lmc.org/media/document/1/dangerous_properties.pdf?inline=true and certainly visit with the city attorney before taking any action.

City of Bellingham – Demo and Awareness: Randy Larson, Mayor

After the City has been considering options to deal with dilapidated properties, they reviewed their previous efforts sending out letters to identified properties but there was little enforcement on the next steps. Recently they have had additional complaints and so Bellingham had a town meeting with 35 participants to spread awareness. We have added copies of the meeting notices to our website.

At the meeting they reviewed the city ordinance and stated that they were going to start with more enforcement efforts. As a result, they saw that some community members helped others clean up properties, they have one person in town who has bought and fixed up a property and is interested in doing more, one commercial owner tackled the costs and demo themselves.

They referred several owners to the LQP County Demo program where the City costs shares the demolition with the county and property owner. Bellingham has had three property owners utilize the Lac qui Parle Demo program in recent years. Each time, the city needed to be involved in order for the project to receive county funds. The City provided an unsecured no interest loan to the property owner in order to complete the demolition. All of these loans have been paid back through a small assessment each month on their utility bill.

Round Robin Discussion:

City of Graceville: They ALWAYS acquire tax forfeited property in order to either demo or make plans for redevelopment. They offer these lots for sale. They advertise this through the EDA – word of mouth

works most often but also some advertising in local paper. Often they have a buyer before they take on a property.

Benson – Blight Busters – meet every once in a while, with Mayor, Chief of Police, City Attorney, City Manager, and another council member. There is no official structure currently. Right now there are some dilapidated commercial properties that are a priority.

Workforce Housing – a question was asked anyone has worked on workforce housing using the DEED program?

More information on the DEED program:

<https://mn.gov/deed/government/financial-assistance/community-funding/workforce-housing.jsp>

This was the program administered by DEED with the first legislative \$ Click on the awards in 2016 and 2017 to read what it funded.

In the next biennium the legislature gave this money to MHFA

<http://www.mnhousing.gov/sites/Satellite?c=Page&cid=1503450639018&d=Touch&pagename=External%2FPage%2FEXTStandardLayout>

This is the fact sheet file:///C:/Users/dawn.hegland/Downloads/MHFA_1042987.pdf

2017 awards file:///C:/Users/dawn.hegland/Downloads/MHFA_1043320.pdf

Applications were last due in Oct 2018 and awarded in Dec 2018

In general:

- Grant or deferred loan of not more than 25% of total costs

- For small communities (more than 500-less than 30,000 in pop) with less than 5% vacancy over last 2 years

- Market rate rental

- Support and demand from local employers

- Match 1:2

- Govt hoops and reporting apply

Farm Labor Housing Program – This program needs projects:

<https://www.govinfo.gov/content/pkg/FR-2018-06-27/pdf/2018-13761.pdf>

<https://www.rd.usda.gov/programs-services/farm-labor-housing-direct-loans-grants>

Contact:

Stephanie Omersa Vergin | Housing Program Director

Rural Development

U.S. Department of Agriculture

375 Jackson Street, Suite 410

St Paul, MN 55101

Phone: 651.602.7820 | Fax: 855.744.0400

www.rd.usda.gov/mn

Clarkfield School- Facility Rehab

In 2015, the Clarkfield Economic development authority, along with the City of Clarkfield, rallied help from Yellow Medicine County to expedite the tax forfeiture process in order to begin the process of saving the old school building that resides in Clarkfield, MN.

A joint taskforce between the city of Clarkfield and yellow Medicine county was formed in 2016 to develop ideas and solutions for the aging school building.

There was four goals set forth by the taskforce to represent progression and development that best fit the community of Clarkfield. Those goals are: 1. Fiscally viable project that is at little to no direct cost to the city or county. 2. Feasible and a "good match" for the city 3. Development must be long term and 4. Economic growth is preferred.

The taskforce has determined some sections of the building are beyond repair and need to be torn down, through other sections of the building are in good condition and could be saved. In 2017, the city and county voted to approve turning on the electricity in the west gym portion of the school building in order to save it for a community space in the future.

The city and county are working closely together to find funds for the demolition. In 2018, the taskforce presented to the state bonding committee in hopes to be included on the state bonding bill, which did not happen. Both the county and city decided to continue moving forward and selected Congrity Group to produce bid documents and drawings to begin to bid process of demolition. When the bid process is completed, the county and city will again need to approve the bid in order to move forward to take down the building. Once thr building is down, the property will become the owners and the city will continue to plan development of the west gym into a usable community space.

Elbow Lake Old School – 1 million to tear it down.

Other miscellaneous:

Value gap issue – new housing

SWMHP – Slab on grade. More affordable 2 bath 3 bedroom and ADA.

Finance – MN Housing Finance Authority and USDA

Post it notes: What are your top TWO issues or questions

New Housing:

- Lack of new housing both owner-occupied & rental
- Existing housing stock is below standard to new buyers. Small lot, small home, aging home 25-100 years old
- How to communicate the importance of this issue with the public
- Where will we find resources for relief of existing housing stock

- New properties. Now/who to partner with
- Housing-like townhomes, rentals, people having trouble getting loans
- How do we promote our area: rural living, schools, our “simple life”, community care-our health facilities, legal & law enforcement, closeness to tech schools, colleges (canby, smsu, willmar, granite falls, watertown)

Rental Ordinance/Building Inspector:

- Dealing with substandard & dilapidated houses with no bldg. official
- We have rental ordinances, now what?
- Small towns ability to enforce laws/ordinances – access licensed personnel on a need basis-i.e. housing inspector
- Due to lack of local resources that can be reasonably obtained, funding, etc...the manpower isn't there to move quickly and effectively

Funding Resources:

- Source-Creative Solutions + buy-in from local residents
- Funding all share ___ revenues
- County pays demo bill
- Should be: 1-county, 2-schools, 3-cities, 4-state
- What resources are available for loan rehabs
- Inspectors
- State funding/county funding
- Money to take down old commercial bldgs-need state assistance on this type of issue
- Cleanup/demo
- Rehab
- Enhancement
- Share costs
- Housing-commercial
- Funding for clean up
- What resources are available for single family housing, new construction
- Are there any grants or assistance programs currently available?
- For demolition large scale projects
- Grant money available to help with tear down costs
- Funding
- Sources of funding to take down dilapidated houses
- Lack there-of: funding from higher up sources has many strings attached. This creates a strain for rural, small towns-depletion of funds or raising taxes of others.
- Minimal budget
- Need property owners to be held liable to a higher extent
- For enhancement or demolition
- Unique funding for acquisitions, demolitions & redevelopment

Proactive Process:

- Accelerated tax forfeit process
- Vacant houses
- Good shape-owners (estate) live elsewhere
- How do we purchase, rehab & utilize?
- Eminent domain of trailer parks/properties
- Dangerous commercial properties
- Steps to get started on cleaning up falling down bldgs. Owned by out of state people
- Dilapidated properties
- How to acquire dilapidated houses faster than going through back taxes
- What can we do to bldgs to prevent them from being demo'ed
- Keep up of rental property
- Commercial properties left for city to deal with
- Blighted property not owned by county but a hazard to the county
- How do we best assimilate dilapidated housing into a positive strategy for the community
- Rehab housing before they become condemned
- Community driven rehabilitation of properties prior to becoming tax forfeited

Misc:

- What are the top things that UMM students & faculty could do to support your work
- Disposal options-demo debris site locations
- Clear title to property
- Commercial bldgs. Versus housing. Is the approach different and if so, how?
- How to deal with property owners who fight the condemnation process
- Bigger projects – schools/factories