

November 11, 2019

Honorable Members of the Zoning, Neighborhoods and Department Committee

Common Council

200 E Wells St. Room 205

Dear Committee Members:

This document serves as a response to Deputy Commissioner Martha Brown's letter dated October 28, 2019, for the October 29, 2019 Zoning, Neighborhood and Development Committee (ZND).

*File 190939 concerns the sale of a two-family property at 2903-05 N 48<sup>th</sup> Street. This file was introduced after Ms. Stephanie Holt appeared at the September meeting of the Joint Committee on the Redevelopment of Abandoned and Foreclosed Homes. Ms. Holt proposed to buy the property, occupying one unit and renting the second.*

No rebuttal.

*Before that meeting, DCD had accepted Ms. Holt's original offer to purchase the property for \$80,250. The department also had accepted multiple amendments to the original offer that reduced the sale price from \$80,250 to \$34,500 and extended the closing date for the sale. The department had rejected a request from Ms. Holt's broker to reduce the sale price to \$1.00.*

DCD failed to mention why the amendments were required which reduced the purchase price. **(See Attachments 1 – 5).**

*At the Joint Committee meeting, Ms. Holt appealed to the Committee to reduce the sale price yet again. She contended that the building itself has no value and asked that the sale price be reduced to \$7,600, the value of the land. Members of the Committee told Ms. Holt they would introduce a resolution to direct DCD to sell her the property for \$2,500.*

On September 23, I, appeared at the Joint Committee of Redevelopment of Abandoned and Foreclosed Homes (Joint Committee) as a public guest in response to the August 21, 2019 letter sent by Debra McCollum-Gathing; In this letter, Debra stated "multiple departments within DCD have identified that this particular home may not be financially feasible for Ms. Holt..." **(See Attachment 8)**

This letter was drafted after DCD Real Estate and DCD NIDC were instructed by Real Estate Development Services Manager, Amy Turim, to "get together and talk about a resolution". **(See Attachment 9)**

Note: *DCD NIDC was provided access to my financial information including but not limited to my paystubs, all bank statements, gift affidavit, and direct communication with my lender (Northshore bank).*

The Joint Committee members were provided a chronological list detailing all interactions with myself and DCD, along with a binder containing all the documents mentioned throughout attachments 1-5.

My guest appearance was on the same day the Joint committee was reviewing the 2807 W State Street mishap. Hence, the chair at the time directed me and Ald. Rainey to negotiate a good-faith based and realistic purchase price that was to be brought before a separate Committee for review and vote.

*DCD disagrees with Ms. Holt's contention that the building has no value. The property was assessed at \$72,400 when the City acquired in in August 2018; \$ 64,800 of the value was attributed to the structure. A second prospective buyer submitted an offer to purchase for \$75,000; it was set aside in favor of Ms. Holt's offer of \$80,000.*

DCD misrepresented to Committee the factors that contributed to the building's assumed value:

1. The assessed value, which was based on the assumed scope of work being between \$38,000 to \$60,000 to remediate.

2. DCD misrepresented to Committee the second buyer as a prospective home-buyer occupant
  - a. The second buyer was represented by Vera Residential Real- Estate Brokerage Firm a well-known investment firm, that specializes in aiding their clients to purchase investment-based properties **(See Attachment 10)**
  - b. Based on Wisconsin Statutes Chapter 709, newly discovered defects found during the sale of a property would require the listing agent to relist the property with the true property condition/defects. Meaning any offer(s) regarding the 2903-05 N 48<sup>th</sup> St property of which the buyer or potential buyer was unaware of the defects of the property would have been void.

*Like most tax-foreclosed properties sold by the City, the house requires repairs. Ms. Holt has applied to DCD for a \$20,000 forgivable Home Buyer Assistance loan to defray a portion of the repair costs. The appraiser who evaluated the property on behalf of Ms. Holt's lender estimated the planned repairs will double the value of the property, to \$151,000. The appraiser also estimates the tenant unit will generate annual gross rent of \$10,500.*

DCD misrepresented to Committee the information provided by withholding crucial information.

1. The Northshore Bank appraisal value of \$151,000 was based on the house being remediated with the NIDC approved bid that totaled \$152,000 to remediate **(See Attachment 4)**
2. I agree with DCD that tax-foreclosed homes require repairs. I disagree with DCD's claim that it is usual for the actual cost of repairs to be more than quadruple the initial advertised scope of repairs.

*DCD also has serious concerns with the process proposed by file 190939 to arbitrarily reduce the sale price of this property to \$2,500. File 190939 departs markedly from language of MCO-304-49, which gives DCD responsibility and authority over the sale of neighborhood properties (one to four-family properties). The file, which directs the department to sell a specific neighborhood property to a specific individual at a specific price negotiated by the Council, is a significant deviation to this well-established and ordinance-directed process. Based on our discussion with the City Attorney's office, we believe such a sale can be legally challenged.*

*We believe the best course of action is to remarket the property with a deadline to receive bids. If Ms. Holt wishes to submit a new offer to purchase, it will be evaluated along with other offers received by the deadline.*

On September 23, 2019, at the Joint Committee Amy Turim said the initial essential repairs of the 2903-05 N 48<sup>th</sup> street property was to get the property to bare minimal living standards. Hence, if the property was correctly coded as a Special Consideration Property as per the directive of MCO-304-49, DCD would be unauthorized to sale the Special Condition Property until it was restored or mothballed, of which the City would be responsible for the cost of the property's emergency repairs, such as, the roof.

In conclusion, I am grateful to the members of both the Joint Committee on Redevelopment of Abandoned and Foreclosed Homes and the Zoning, Neighborhoods, and Development Committee, for allowing my issues to be heard. I seriously believe this process to have been the sole reason an agreeable and fair purchase price for this home has been reached. I closed on this property on November 27, 2019.

Sincerely,

Stephanie A Holt