

Appeal of DSI's 26.48% Rent Increase Approval at Haven, RLH-RSA 24-4

Overview

St. Paul City Council Hearing, August 14, 2024

Marquette's Investment Strategy:

“Drive [Up] Rents”
and “Improve the Renter Profile”
Through Building-Wide Renovations that
Violates Asbestos Safety Law

HAVEN BATTLE CREEK

MARQUETTE RECENT ACQUISITION

INVESTMENT STRATEGY The Haven of Battle Creek (formerly known as Phoenix Apartments) was developed in 1976. In May 2021, Marquette acquired the property in a joint venture with DRA Advisors and has underwritten a five-year hold period. The opportunity to realize value type returns exists on the following levels:

Interior Value-Add – The majority of the unit interiors are in original condition or were updated many years ago. Marquette will update all of the units with stainless-steel appliances, quartz countertops, vinyl plank flooring, and other upgrades to the kitchens, baths, and common areas. In addition to the operational improvements, these interior upgrades will allow Marquette to drive rents and improve the renter profile.

Directly Contrary to the Purpose
of City's Rent Stabilization Law

“The purpose of [the RSO] is to protect Tenants from substantial Rent increases which are not affordable, and which may force such Tenants to vacate their homes”

MNOI Rule A(8)(a)

Mass Displacement Is
Happening

Over 70% Displacement of Section 8 Tenants Since Marquette Took Over Haven From 104 Units to 30 Units

From: Al Hester <Al.Hester@stpha.org>
Sent: Thursday, February 1, 2024 6:02 PM
To: Britane Hubbard
Cc: Corina Serrano; Abbie Hanson; Lisa Feidler
Subject: RE: Data Practices Request: Haven of Battle Creek

Hi Ms. Hubbard,

Our Section 8 staff was able to pull this information together more quickly than I expected!

Here are the numbers of vouchers in use at the Haven of Battle Creek in the months you listed:

June 2021 = 104

Dec 2021 = 92

June 2022 = 77

Dec 2022 = 66

June 2023 = 47

Dec 2023 = 30

- Al Hester
Housing Policy Director

DSI Admits Risk of “Displacement of a Large Number of Residents”

05/2021: New York investors acquire The Haven of Battle Creek, a 200+ unit building housing a high percentage of East African immigrants.

What makes this situation particularly difficult is:

- The failure of property management to enlist Somali interpreters or staff to assist with the changes to this complex, which have spanned about two years.
- The potential for displacement of a large number of residents in this community.

Yet DSI Failed to Enforce the
Mandatory Habitability
Precondition

RSO's Mandatory Habitability Precondition

Sec. 193A.06

(c) The city will not grant an exception to the limitation on rent increases **for any unit where the landlord has failed to bring the rental unit into compliance with the implied warranty of habitability** in accordance with Minn. Stats. § 504B.161.

Standing Issue Is Irrelevant Because RSO
Requires that “The City Will Not Grant an
Exception” When Landlord Has Violated
Mandatory Habitability Precondition

The RSO Empowers, and in Fact Requires,
the City Council to Deny the 26.48% Rent
Increase Exception Given the Vast
Uncontested Evidence of Building-Wide
Habitability Violations at Haven

Uncontested Record Evidence of Systemic Habitability Violations (Following Examples Are Tip of the Iceberg)

Building-Wide Asbestos Law Violations

Four Expert Reports Detailing Marquette's Building-Wide Asbestos Law Violations (first one submitted to DSI Feb. 2023)

Expert Report of Greg Myers Marquette Management's Noncompliance with Lead and Asbestos Safety Law at The Haven of Battle Creek, St. Paul, MN My name is Greg Myers. I have been asked by Housing Justice Center to analyze and render an opinion as to whether Marquette Management is complying with lead and asbestos safety laws in conducting renovation activities at The Haven of Battle Creek apartment complex in St. Paul, Minnesota ("Haven"). This is the report of my analysis and opinion. A. Background and Experience I have over thirty years of experience in environmental safety, specializing in lead and asbestos management and training. I am a Minnesota Department of Health Licensed Lead Risk Assessor (LR 284), a Lead Project Designer (LD 284), a Minnesota Department of Health Certified Asbestos Inspector (AI 2289), an Asbestos Management Planner (AM 2289), an Asbestos Designer (AD 2289), and a Certified Microbial Consultant. Attached as Exhibit A is my C.V. A primary focus of my current work is conducting lead paint training services. I have developed lead training services for contractors and renovators to meet current accreditation for Federal Environmental Protection Agency (EPA) and Minnesota Department of Health (MDH) licensure requirements. I serve as an EPA accredited training provider for the Renovation, Repair, & Painting program, as well as a training provider for all of the MDH lead-based paint disciplines. I have conducted training for all the asbestos disciplines. I have developed training for on-site technicians required to conduct monitoring of asbestos-abatement projects. In addition to the trainings I conduct, I also design lead abatement and remediation plans, and design and manage asbestos-abatement projects and lead-based inspection/lead-risk assessments, all of which are developed to be consistent with current standards and legal requirements. I also investigate indoor air quality concerns and develop remedial design services for indoor air quality. B. Conclusion that Marquette Management Is Not Complying with Lead and Asbestos Safety Laws and Therefore Threatens the Health and Safety of Haven Residents Based on my expertise, experience, and review of the evidence, I have reached the following conclusion: Marquette Management is engaged in extensive renovation activities at Haven that fail to comply with multiple state and federal laws designed to protect building residents and workers from exposure to lead and asbestos. The long-term dangers of exposure to lead paint and asbestos are well-established. Even low levels of lead paint exposure can have grievous effects on the health of children and adults, and exposure to airborne asbestos fibers substantially increases the risks of lung diseases that can take years to manifest themselves. Thus, Marquette Management's noncompliant renovation activity throughout the common areas and apartment units at Haven poses a real and continued risk to the health and safety of the tenants at Haven. 1	Supplemental Expert Report of Greg Myers Addressing Newly Submitted Technical Documents Submitted by Marquette Appeal No. RLH RSA 23-13 My name is Greg Myers, and my qualifications as a lead and asbestos expert are set forth in my Expert Report dated February 28, 2023 ("Initial Report"), which has been submitted in connection with this Appeal. I have been asked by Housing Justice Center to review third-party technical documents recently submitted by Marquette Management ("Marquette") during this appeal and state how it affects my opinion as to whether Marquette has been violating lead and asbestos safety laws in conducting renovation activities at The Haven of Battle Creek apartment complex in St. Paul, Minnesota ("Haven"). I have reviewed the following documents submitted late last week in this Appeal by Marquette: (1) the Phase I Environmental Assessment Report for Grand Pre by the Park Apartments [now called Haven] by Nova Consulting Group dated December 12, 2017 (with earlier Nova Consulting Phase I Environmental Assessment Reports attached) ("2017 Nova Report") and (2) a letter showing the results of very limited asbestos testing at Haven from Techtron dated October 6, 2021 ("Techtron Report").¹ These third-party documents reinforce my opinion that Marquette has violated and continues to violate lead and asbestos safety laws. Most importantly, the 2017 Nova Report expressly warns that prior testing has confirmed the presence of (1) asbestos in textured ceiling plaster and (2) lead coatings in bathrooms at Haven, specifically highlighting them as "issues of environmental concern": The following issues of environmental concern were identified in connection with the Property: - Previous sampling identified asbestos in textured ceiling plaster within the Site building and lead in the coating of original vintage bathroom. Operations and Maintenance Programs are reportedly in place to manage the identified building materials. The observed building materials and painted surfaces were generally in good condition at the Site. Marquette has failed to act on the information in the 2017 Nova Report and has engaged in renovation activity that puts the health and safety of Haven tenants at risk. ¹ Neither of these technical documents are the type of testing documents that would satisfy the lead and asbestos safety inspection law outlined in my Initial Report. The 2017 Nova Report was apparently requested by a prior owner of Haven as part of a general environmental assessment often conducted in connection with attempts by the property owner to satisfy CERCLA law, not lead and asbestos law. The testing in the 2021 Techtron Letter is limited to a very small sample set that appears to have been requested for an isolated project by a company working for Marquette called Renovation Systems. 1	Second Supplemental Expert Report of Greg Myers Addressing Additional Technical Document Submitted by Marquette Appeal No. RLH RSA 23-13 My name is Greg Myers, and my qualifications as a lead and asbestos expert are set forth in my Expert Report dated February 28, 2023 ("Initial Report"), which has been submitted in connection with this Appeal. I have been asked by Housing Justice Center to review another technical document recently submitted in the Rent Stabilization Appeal by Marquette Management ("Marquette")—a Techtron Report dated October 25, 2023. The testing in the Techtron report does not change my opinion that Marquette has comprehensively violated asbestos laws. This report shows that asbestos testing was conducted on only nine samples in a single bathroom of a single apartment at Haven, and that no asbestos was found in these limited samples. This testing comes nowhere near the comprehensive property-wide pre-renovation asbestos testing required under federal and state OSHA laws (29 C.F.R. § 1926.1101(k)(5); Minn. R. 5207.0035; 40 CFR Part 61 M) for a large multifamily complex with 216 units and extensive common areas that totals 335,446 square feet. This testing is especially deficient at a property where there has already been an affirmative finding of asbestos in units and common areas in the building complex, as reported in the 2017 Nova Report and discussed in my First Supplemental Report. Moreover, even in the single room in a single unit in which Techtron did perform limited asbestos testing, it did not test the flooring material and mastic that were identified as suspect materials in the 2017 Nova Report. Indeed, the fact that Marquette has commissioned only this single limited asbestos test of a single room in a single unit of Haven in 2022 and 2023 underscores how comprehensive its violation of asbestos laws has been at Haven, where many dozens of units and common areas have undergone renovation activities disturbing presumed and identified asbestos-containing materials in violation of state and federal asbestos law. Marquette has produced no evidence that it conducted the required asbestos testing necessary to conduct renovation in these locations. Under Minn. Stat. § 358.116, I declare under penalty of perjury that everything I have stated in this supplemental report is true and correct to the best of my knowledge. Kanabec County, Minnesota November 29, 2023 <u>/s/ Greg Myers</u> Greg Myers 1	UNITED STATES DISTRICT COURT DISTRICT OF MINNESOTA Sumeya Mohamed, Rukia Bile, Abdurisaq Sheikh, Ubah Share, Paul Stoderl, and Sharon Martin, on behalf of themselves and others similarly situated, Court No.: 23-cv-1740 (JRT/JFD) Plaintiffs, v. Marquette Management, Inc., G&I X Phoenix Apartments LLC, and Kelly Delisle, Defendants. DECLARATION OF GREG MYERS 1. My name is Greg Myers. I am a Minnesota Department of Health Certified Asbestos Inspector (AI 2289), an Asbestos Management Planner (AM 2289), an Asbestos Site Supervisor (AS 2289), and a Certified Microbial Consultant. Attached as Exhibit 1 is my C.V. 2. I began working with tenants' legal counsel in June 2022 to determine based on available evidence whether renovation activities at The Haven of Battle Creek apartment complex in St. Paul, Minnesota ("Haven") were being conducted safely and in compliance with state and federal hazardous materials laws and regulations, including those related to asbestos, a substance known to cause life-threatening cancers and lung diseases if mishandled. 1
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Marquette's Own May 2021 Asbestos Manual Warns of Building-Wide Asbestos Hazards and Instructs Not to Disturb Prior to Testing

3.0 MATERIALS MAINTAINED IN THIS PROGRAM

No inspection or sampling was performed during the preparation of this ACM O&M Program. However, suspect materials previously identified include the following: textured ceiling material; ceiling tile; wall system components; drywall and joint compound; plaster; vinyl floor tile and associated mastics; linoleum and associated mastics; carpet mastic; window/door caulk; window glazing; spray on fireproofing; thermal system insulation; and roof materials. Materials were reported to be in generally good condition throughout the Property. Based on the reported condition of the ACM and PACM, it can effectively be managed in place under the provisions of an O&M Program.

The OSHA regulation 29 CFR 1926.1101, requires certain construction materials to be presumed to contain asbestos, for purposes of this regulation. All TSI, surfacing material, and asphalt/vinyl flooring that are present in a building constructed no later than 1980 and have not been appropriately tested are PACM.

Note: There may be supplemental information (reports, addendum, etc.) that may alter the listed materials above. If so, these supplemental documents must be maintained with this O&M Program.

No known or suspect ACM or PACM shall be disturbed or involved in any work, in any way, prior to laboratory analysis for asbestos content.

Voluminous Uncontested Evidence of Illegal Disturbance of Suspect or Known Asbestos Containing Materials

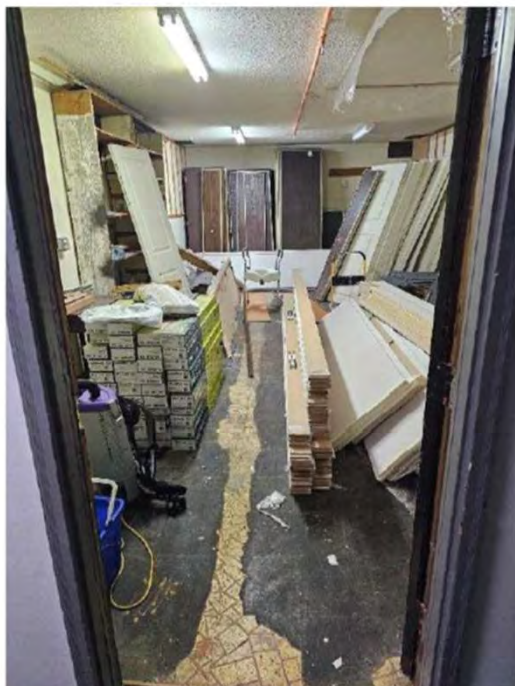
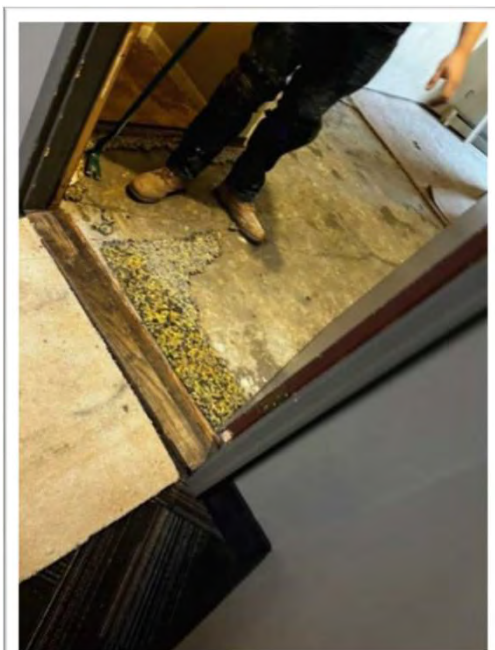
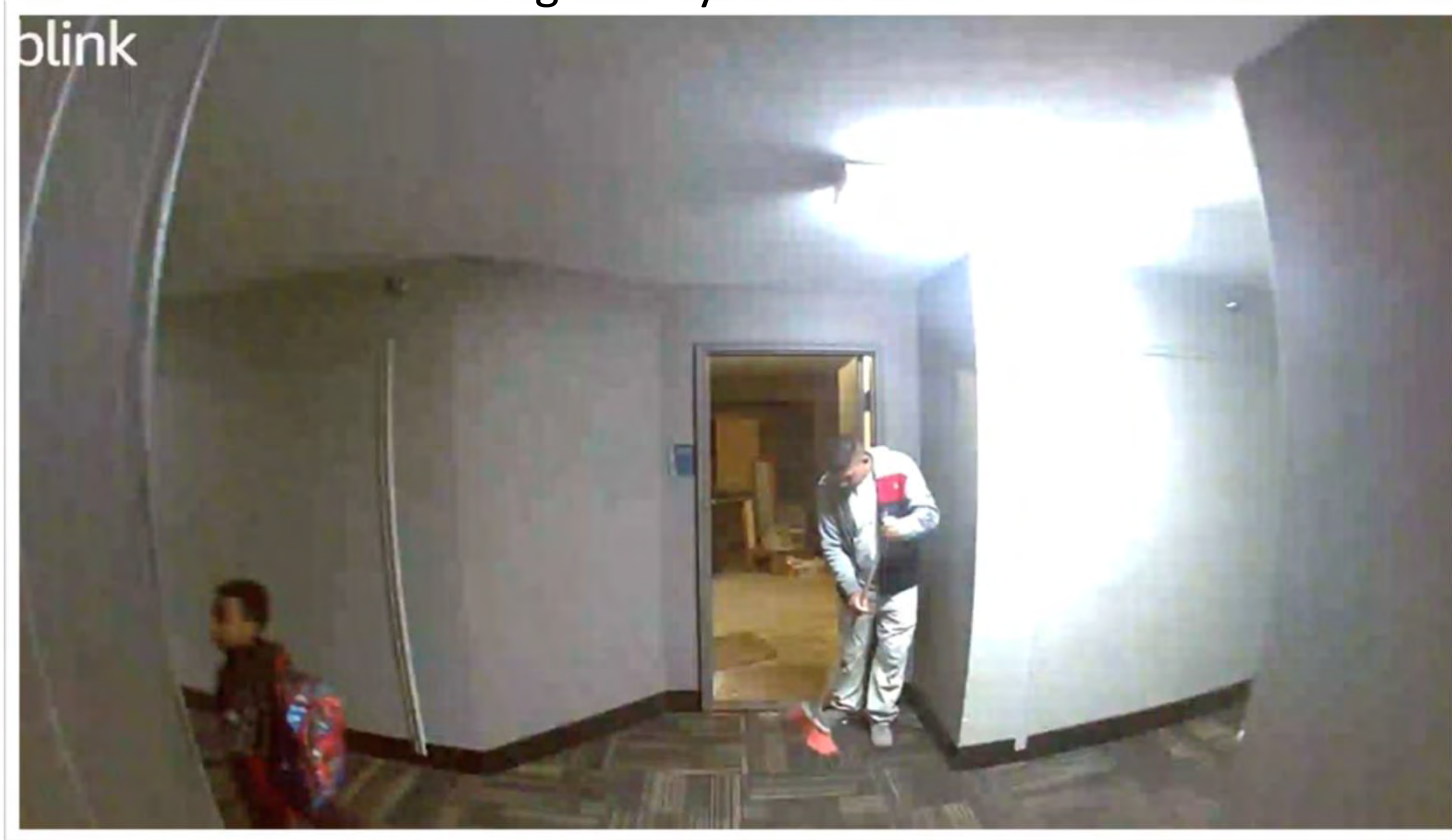


Photo 15 12" Yellow Floor Tile and Mastic in Damaged Condition in the 2nd Floor East Employee Room.



Marquette Exposes Entire Tenant Population
to Risk of Inhaling Deadly Airborne Asbestos Fibers



26.48% Rent Increase Would Require Haven
Tenants to Pay for Illegal Renovations that
Endangered Their Lives

Building-Wide Shared Utility Law Violations

ORDER

1. This Court adopts the analysis and ruling of the Hennepin County District Court.
2. Formula 8 of the Lease at issue in this case does not contain “an equitable method of apportionment” as required by Minn. Stat. § 504B.215, Subd. 2a(a)(2).
3. The attached memorandum is incorporated herein, by reference.

It is so ordered.

BY THE COURT



Grewing, Sara (Judge)
Feb 23 2024 2:20 PM

Dated: February 23, 2024

The Honorable Sara R. Grewing
District Court Judge

Standard Marquette Lease

UTILITY AND SERVICES ADDENDUM	
This Utility Addendum is incorporated into the Lease Contract (referred to in this Addendum as "Lease Contract" or "Lease") dated <u>April 15, 2022</u> between <u>G&I X Phoenix Apartments, LLC</u>	
("We" and/or "we" and/or "us") and <u>Rukia Bile</u>	METERING/ALLOCATION METHOD KEY "1" - Sub-metering of all of your water/gas/electric use "2" - Calculation of your total water use based on sub-metering of hot water "3" - Calculation of your total water use based on sub-metering of cold water "4" - Flat rate per month "5" - Allocation based on the number of persons residing in your apartment "6" - Allocation based on the number of persons residing in your apartment using a ratio occupancy formula "7" - Allocation based on square footage of your apartment "8" - Allocation based on a combination of square footage of your apartment and the number of persons residing in your apartment "9" - Allocation based on the number of bedrooms in your apartment "10" - Allocation based on a lawful formula not listed here (Note: if method "10" is selected, a separate sheet will be attached describing the formula used)
("You" and/or "you") of Apt. No. <u>313-200</u>	
<u>Saint Paul, MN 55119</u>	
This Addendum constitutes an Addendum to the above document and made a part of such Lease Contract. Where the terms found in the Lease Contract, this Addendum shall control.	
1. Responsibility for payment of utilities, and the method of payment:	
a) Water service to your apartment will be paid by you either: ☐ directly to the utility service provider; or ☒ water bills will be billed by the service provider to us and then allocated to you based on the following formula: <u>8</u> ☐ If flat rate is selected, the current flat rate is \$ _____ per month. ☒ 3rd party billing company if applicable <u>Conservice</u>	
b) Sewer service to your apartment will be paid by you either: ☐ directly to the utility service provider; or ☒ sewer bills will be billed by the service provider to us and then allocated to you based on the following formula: <u>8</u> ☐ If flat rate is selected, the current flat rate is \$ _____ per month. ☒ 3rd party billing company if applicable <u>Conservice</u>	
c) Gas service to your apartment will be paid by you either: ☐ directly to the utility service provider; or ☒ gas bills will be billed by the service provider to us and then allocated to you based on the following formula: <u>8</u> ☐ If flat rate is selected, the current flat rate is \$ _____ per month. ☒ 3rd party billing company if applicable <u>Conservice</u>	
d) Trash service to your apartment will be paid by you either: ☐ directly to the utility service provider; or ☐ trash bills will be billed by the service provider to us and then allocated to you based on the following formula: <u>4</u> ☒ If flat rate is selected, the current flat rate is \$ <u>10.00</u> per month. ☒ 3rd party billing company if applicable <u>Conservice</u>	

Here, even if the Court were to disagree with the Hennepin County District Court and find that the language of Formula 8 qualified as a “method,” nothing in Formula 8 identifies how the “method” is fair or equitable. Formula 8 only provides for an “[a]llocation based on a combination of square footage of [Plaintiff’s] apartment and the number of persons residing in your apartment.” (Am. Pet., p. 14.) Defendant argues this is clearly intended to be a “fair” apportionment, where “tenants with larger apartment

a larger amount of the month
8; Am. Pet., p. 14.) Notably
inversion of Defendant’s “
footage ... and the number of

This language is not
meaning of the words used

Hennepin County District Court, and finds that the language of the lease at issue in this case does not contain “an equitable method of apportionment.”

METERING/ALLOCATION METHOD KEY

- “1” - Sub-metering of all of your water/gas/electric use
- “2” - Calculation of your total water use based on sub-metering of hot water
- “3” - Calculation of your total water use based on sub-metering of cold water
- “4” - Flat rate per month
- “5” - Allocation based on the number of persons residing in your apartment
- “6” - Allocation based on the number of persons residing in your apartment using a ratio occupancy formula
- “7” - Allocation based on square footage of your apartment
- “8” - Allocation based on a combination of square footage of your apartment and the number of persons residing in your apartment
- “9” - Allocation based on the number of bedrooms in your apartment
- “10” - Allocation based on a lawful formula not listed here
(Note: if method “10” is selected, a separate sheet will be attached describing the formula used)

“A failure by the landlord to comply with [section 504B.215, subd. 2a] is a violation of section[] 504B.161.”

Minn. Stat. Sec. 504B.215, subd. 2a(c).

Here, the Court finds that Plaintiff's rent escrow action is proper where Plaintiff's pleaded violation of Minn. Stat. § 504B.215, Subd. 2a is a violation of the general covenant of habitability,

Building-Wide Pest Infestation

St. Paul Code Sec. 34.10(6)

“Insect and rodent harborage. Every owner of a structure shall be responsible for the control and/or elimination of insects, rodents or other pests wherever infestation exists.”

December 5, 2023



Haven DSI Inspection Records

DATE	NATURE OF COMPLAINT	ORDERS ON COMPLAINT ITEM	ORDERS ON OTHER	PHOTOS	INSPECTOR ACTION / NOTES	DISPOSITION
1/10/23	large mouse infestation	no	no	no	no answer on inspector visit. 2/24/23: logged pest control receipts	transferred complaint to Fire C of O file. closed
8/2/23	Reports of rodent infestation, flooding, broken glass and garbage on property	no	no	no	Took a look at all three floors spoke with mgr and maint no one is aware of flooding in the garage nor did I see flooding or standing water on the property. Knocked on 4 doors no one had mice roaches. The grounds people were still cleaning around the building	closed
9/21/23	mouse infestation in the unit-digging holes through the walls roaches in the garbage room	No	No	No	Exterminator rep Spoke with tenant states that she had did get cleaned	
10/3/23	mice infestation	Yes	No	No	speaking to the tenant mice problem will have to continue to that is not just her be put on the list continues to see r	
10/17/23	hornets coming in through windows #326	Yes	No	No	10/18/23-RP state have made number with hornets. The appointment today company as well, documents.-\$B	
11/9/23	mice infestation is getting worse	Yes	No	No	12/04/23-Documents Reports submitted sufficient to close	
1/9/2024	mice infestation 215 Kipling	Yes	No	No	Pest rep	
1/25/24	Roach infestation in unit, hallways and elevators.	No	No	No	Ext	
3/26/24	trash in the stairwells, no maintenance in the hallway areas, stains from animal feces and vomit on the carpet of the elevators and the hallways, roaches in the trash room 215 Kipling	Yes	No	Yes		
5/30/24	reports of roaches not being treated at the property	No		No	No location given. Previous pest complaints have been treated. Building has a monthly pest control contract. TA	closed
7/2/24	common areas are not being cleaned, including Laundry rooms, hallways, stairwells all have trash and food on the floor. The whole complex has issues with cockroaches and mice. Doors in stairwells have gaps, underground garage door missing boards and has gaps. Elevator in building has not work since early June.		?	Yes	Photos uploaded 7/2, no orders as of 7/3/24	?

7/2/24

common areas are not being cleaned, including Laundry rooms, hallways, stairwells all have trash and food on the floor. The whole complex has issues with cockroaches and mice. Doors in stairwells have gaps, underground garage door missing boards and has gaps. Elevator in building has not work since early June.

Marquette's Internal Documents

From: Kelly Delisle <kdelisle@marqnet.com>
 Sent: Friday, August 4, 2023 1:07 PM
 To: Angie BrothersMFG <angie@brothersmfg.com>
 Subject: Re: Appointment

Please see attached list.

I think we need to do them all together as the roaches and mice are getting out of control again.

Thanks,

KELLY B DELISLE

Property Manager | Agent for Owner



**THE HAVEN OF BATTLE
CREEK**

651-447-5345

✉ havenofbattlecreek@marqnet.com

🌐 www.thehavenofbattlecreek.com

📍 200 Winthrop St. S | St. Paul, MN 55119

Pest Control Log

Date	Apt	Name	Reporting
12/2	207	[REDACTED]	Roaches
12/3	103	[REDACTED]	Roaches - early
12/5	371	[REDACTED]	mice + Roaches
12/5	265	[REDACTED]	mice
12/6	231	[REDACTED]	mice
12/9	213	[REDACTED]	Roaches
12/12	451	[REDACTED]	mice
12/13	103	[REDACTED]	Roaches
12/17	122	[REDACTED]	Mice
1/4	448	[REDACTED]	mice / Roaches
1/6	441	[REDACTED]	a Mice "Caught 15"
1/9	212	[REDACTED]	Mice
1/17	108	[REDACTED]	mice / Roaches "on Patio"
1/20	466	[REDACTED]	Mice / Roaches
1/23	327	[REDACTED]	mice
1/27	323	[REDACTED]	Mice
2/8	208	Vacant	mice / Roaches
2/14	436	[REDACTED]	needer Mice !!!
3/7	207	[REDACTED]	Roaches - bathroom & kitchen
2/20	212	[REDACTED]	mice
3/8	242	[REDACTED]	Mice

Internal DSI Emails Admit the Importance of Reported Asbestos Safety Violations

From: Angie Wiese <angie.wiese@ci.stpaul.mn.us>
Sent: Thursday, March 2, 2023 9:41:30 AM
To: Stephen Ubl <stephen.ubl@ci.stpaul.mn.us>
Cc: David Hoban <David.Hoban@ci.stpaul.mn.us>; Nathan Bruhn <nathan.bruhn@ci.stpaul.mn.us>; Lynne Ferkinhoff <Lynne.Ferkinhoff@ci.stpaul.mn.us>; Demetrius Sass <Demetrius.Sass@ci.stpaul.mn.us>
Subject: 200 Winthrop - Greg Myers Expert Report.pdf

Steve,

This came to the Rent Stabilization team via an attorney who is trying to provide an argument for a habitability violation of the ordinance.

Imbedded in that correspondence was this report.

As the contractor tested for lead or asbestos? Are they taking precautions as is required if there is lead and asbestos present?

The building inspector assigned to this property should be aware but also, I would like to know for our file with Rent Stabilization.

Thank you,

From: Demetrius Sass <Demetrius.Sass@ci.stpaul.mn.us>
Sent: Friday, April 7, 2023 2:32 PM
To: Lynne Ferkinhoff <Lynne.Ferkinhoff@ci.stpaul.mn.us>
Subject: Angie Meeting

Good'ay,

Asha is wondering about the status of DSI's investigation into the expert report on Haven. Since there are habitability concerns, and habitability is key to an approval, we need to get this sorted out to avoid being sued. Angie moved our meeting to the morning so I figure we can ask her then.

Thanks

DSI's Bias Derails Process

“Initial Thoughts for Mayor Meeting,” created January 31, 2023

While Haven Battle Creek’s business practices have left many taken aback, Haven Battle Creek’s RROI application is very polished, well put together, and without question, represents a business deserving of an allowable rent increase per ordinance 193A. I will briefly try to summarize the information that has been presented to DSI, both its faults as well as the current findings.

RS Administrator’s MNOI Review Notes, created January 2023

Haven Battle Creek’s RROI application is very polished, well put together, and without question, represents a business deserving of an allowable rent increase per ordinance 193A. I will briefly try to summarize the information that has been presented to DSI, both its faults as well as the current findings.

“The Haven of Battle Creek Briefing,” created May 23, 2023

The Haven of Battle Creek submits a completed MNOI worksheet and additional financial documentation for a rent increase exception through the staff determination process. The application is polished and well put together. Based on a preliminary staff review, the financial information supports an allowable rent increase per Ordinance 193A. Several metrics contribute to the potential increase and represent a significant uptick in the allowable rent increase results, as shown in the table below.