

# **PILOT RECIEVER CASE – Quick Assessment -12-14 LaGrange**

**Completed by Worcester Community Housing Resources, Inc. on  
behalf of City of Worcester. – March 08**

**Budget – separate attachment**

This property is a condominium building originally built as rental housing in 1986 by developer John Sabbey. It was purchased in 2006 and “condoverted” by Worcester entrepreneur Roland Spong. All but one of the eight total units were sold by Spong, but all seem currently to be bank-owned or somewhere in the foreclosure process.

The units consist of two four-unit modular buildings, erected on a double foundation. Each unit consists of 623 square feet in two-bedroom, one-bathroom units.



The units have been the subject of numerous health and housing code complaints for the past several years. The most serious complaints at the moment concern the rear porches and stairs, which provide the second means of egress for the upstairs units. These stairways appear to be undersized and under built for the purpose. The front porches, although of minimal size, are also shaky and present tripping hazards. The work on these structures is the most expensive part of the

proposed work, since they must be demolished and reconstructed to conform to current building codes. This work will entail removal of the old structures and undersized/inadequate concrete supports, pouring of new concrete supports, building of new decks and stairways, and roofing of the second floor deck structures to prevent snow and ice buildup.



Construction of new roof structures may have to be done in the form of shed roof extensions and tied into the existing 5-inch-pitch roof. Flashing must also be installed on both the roofs and the new decks, which have suffered some significant deterioration at the joints with the main structure, due to the lack of flashing and the lack of proper joist hangers and connections. The second floor decks are presently protected only by aluminum “awning” structures, which are poorly attached and presently failing. Soffits and vents must also be repaired and replaced to prevent the entrance of rodents and vermin. I have reviewed all of the proposed work with both the chief of the housing inspection division and the building inspector who would be responsible for reviewing building permit applications for any new work. Input from both has been considered in estimating the scope and cost of work. The budgeted amount assumes that we can come up with an alternative to full gable roofs on all porches, but should be sufficient.



Other major common area items presenting serious dangers to occupancy include analysis and repair of the fire and smoke detection systems, which are presently non-functional, and replacement of the basement exit doors, which are also non-functional. New unit locks, hallway stair treads/landings, hallway lighting fixtures, main door locks, and main closers should also be installed for safety.

Presently five of the eight units are occupied, and according to the tenants, all are paying rents of \$750 monthly, plus utilities. I have spoken with three of the five occupants who report no significant problems within their units, and that heat, hot water, electrical, and plumbing systems are functioning properly. Nevertheless, the interior surfaces, fixtures, and other features show evidence of hard wear and some allowance must be made for repairs on an ongoing basis. I was able to gain access to two of the five occupied units and saw only minimal repair needs.

I was able to obtain access to only one of the three vacant units – the city housing inspector stated that it was fairly representative of the condition of the other units he had inspected. If these vacant units are to be rented out they will need, at a minimum, new appliances, some new interior finishes (carpets in particular are in generally poor conditions and present tripping hazards, while sheet vinyl flooring in kitchen and baths seem to be in slightly better condition). Looking at the operating pro forma for the project, it would seem worthwhile to make these investments if they are not high as many of the building costs will continue whether or not the unit is occupied.

Other items that must be improved immediately:

- Cellar windows do not allow adequate combustion air intake for the water heaters or for sufficient ventilation as all have been boarded up. Sufficient ventilation can probably be obtained by restoring 2-3 windows in each of the two separate basements.
- The dumpster on the property was removed sometime during the fall and residents have been either piling trash bags on the rear of the property or hauling city trash bags to the street for municipal pickup. A major cleanup of debris and trash is needed, in addition to the installation of a new 8-10 cubic yard dumpster.
- There is moisture entering the basements along the perimeter, apparently caused by poor grading, which pitches surface water toward the building, causing ice/snow buildup and creating a hazard. The building inspector has recommended machine grading of three sides of the building, but this may be deferred for the time being unless water problems worsen.
- The condition of the paved parking area and driveway was impossible to ascertain due to ice and snow buildup (it has not been plowed yet this winter). Some patching and repair may be urgently needed after the snow season is over.
- All water heaters seem to be original and have developed numerous areas of rust or corrosion. Two appear to have failed completely (presumably on the vacant units). All should be replaced as catastrophic failure can be anticipated within approximately a year.

In addition to the physical capital improvements, it may be necessary to bring tax payments up to date – the current combined amount on all units is \$15,112 - the assessment amount of \$167,000 per unit seems well beyond the market.

The immediate capital investment needed is estimated at just under \$100,000, including legal fees, construction management and administration but not including the \$15,112 in taxes owed. Note that two units' electricity seem to have been shut off for non-payment and we do not know the status of other current or past due utility bills as the utilities are not allowed to shut off service during heating season.

At current rent levels (which seem to be about right for the market), the income from only five units would produce a small deficit of approximately \$4,500 annually, based on normally expected vacancy/collection, management, and operating costs. If all units are restored to the point where they can be occupied, the building would produce a positive cash flow of about \$12,000 annually. In looking at these numbers it should be noted that the city property taxes of nearly \$28,000 annually represent a staggering 60% of the operating budget if only five units are occupied, still more than 50% if the building is fully occupied. These figures are far out of line with the actual value of the building, whether "condoverted" or not, and abatements or reassessments should be sought. Under Mass General Law the property taxes are the last item in payment priority for the receiver as they may be added to the priority municipal lien(s).