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Bid for Minn. rent-subsidized apartments alarms tenants, advocates

by [Dan Olson](#), Minnesota Public Radio
June 8, 2011

AUDIO

[Bid for Minn. rent-subsidized apartments alarms tenants, advocates](#) (feature audio)

Brooklyn Center, Minn. — Housing advocates are worried that if bids for rent-subsidized apartment buildings in Brooklyn Center and Granite Falls are approved, the new owner will convert the apartments to market-rate housing, which many residents can't afford.

New York City real estate investor Emmanuel Ku is well-known in New York City rental housing circles as a problem property owner.

"He had a large number of violations on his buildings and he was very slow in correcting them," said Harold Shultz, the retired special counsel to New York City's office of Housing Preservation and Development.

Currently, Ku is trying to buy two buildings in Minnesota foreclosed on by the Department of Housing and Urban Development (HUD) and is the high bidder for the 122-unit Shingle Creek Towers in Brooklyn Center.

As special counsel, Harold Shultz sued property owners who failed to comply with city code requirements. He said his office sued Ku more than 20 times over issues such as failure to supply heat and water in some of the 13 properties he owns.

Shultz said that as of November 2005, New York City officials issued 2,953 housing code violations, of which 1,763 were hazardous violations on the 13 properties Ku owned at the time. He said more than 2,000 of the violations were settled, but it took, on average, more than 990 days to solve them.

When Ku bid on HUD's foreclosed property in Ypsilanti, Michigan, residents there filed suit and asked Shultz to testify for them.

"I would characterize his track record as not very good," Shultz said. He places Ku in the top 10 percent of the city's problem property owners.

Ku's property investment strategy includes bidding on foreclosed rent-subsidized apartment buildings. But his code violation record prompted New York's congressional delegation to change federal housing regulations.

A 2004 amendment to the National Housing Act effectively prevented Ku from buying any more foreclosed public housing in that state.

New York City's commissioner of housing at the time was Shaun Donovan, who is now Secretary of Housing and Urban Development. Minnesota housing advocates are perplexed about why Donovan would allow bids by Ku to advance in other parts of the country when he was instrumental in banning them in the state of New York.

"Donovan has apparently dropped or lost interest in that principle, which is a really good one, since he's become secretary of HUD," said St. Paul-based Housing Preservation Project attorney Jack Cann.

SHINGLE CREEK TOWERS

When the former owners of Shingle Creek Towers, BOCA Limited Partnership in Eagan, stopped making payments on the mortgage, HUD foreclosed. HUD's backing of the mortgage comes with the requirement that the rents at Shingle Creek Towers be kept affordable.



[Shingle Creek Towers residents](#)

Kate Schlauch, who has a disabling health condition and lives on a fixed income, pays only \$575 a month for her one-bedroom apartment at Shingle Creek. She said if her rent went up, she'd have to look for another place to live.

"It would be completely unaffordable for me," Schlauch said. "I'm responsible for my own health insurance premium, which because of my previous health problems, is very expensive."

Schlauch and other residents of Shingle Creek Towers worry that rents will rise if HUD accepts Ku's \$2.8 million bid to buy the apartment building. That concern is shared by Jack Cann, attorney for the Housing Preservation Project, a St. Paul nonprofit.

Cann heard about Ku from housing advocacy sources in New York City and then learned about the bid for Shingle Creek Towers by filing a freedom of information request requiring HUD to release bid documents.

Cann has sued HUD on behalf of the residents to try and stop the transaction. He said that if HUD turns ownership of the building over to Ku, federal rules keeping rents low will go out the window.

"The HUD foreclosure is going to eliminate all those constraints," he said.



[Attorney Jack Cann](#)

HUD officials would say only that a bid on the Shingle Creek property has been received, it is being considered and a decision is pending.

Reached at his Bronx office, Ku would only confirm he's a bidder for Shingle Creek Towers and for a rent-subsidized property in west-central Minnesota, the 40-unit Riverview apartment building in Granite Falls. Ku's attorney, Umar Sheikh, told MPR News that Ku didn't have a comment for this story.

Ku's rental property problems persist.

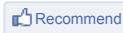

New York City housing officials say his 13 properties there have nearly 700 code violations. In addition, he owes the city more than \$98,000 in emergency repair costs for fixing what officials call "life-threatening code violations."

COMPLEX A VALUABLE RESOURCE

Housing advocates regard Shingle Creek Towers and other affordable housing as an increasingly valuable resource, as market rate rents rise and incomes stagnate.

In another tight housing market a decade ago, owners of subsidized apartment buildings began converting to market rate units. Lawmakers at the time approved spending tens of millions of dollars to preserve the affordable rental housing through payments to the owners.

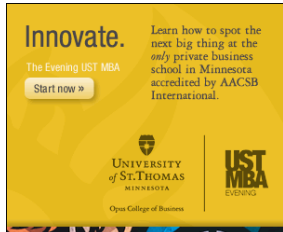
Attorney Jack Cann said the former owners of Shingle Creek Towers received nearly \$2 million with the promise that rents there would be kept affordable until 2019.

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