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The Slumlord of South Minneapolis

Rodent and roach infestations. Overflowing dumpsters. Frigid heating vents. Meet Spiros Zorbalas...

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Details:

See an [INTERACTIVE MAP](#) of Spiros Zorbalas's properties and [VIEW LEGAL DOCUMENTS](#) pertaining to this story.

IN A BASEMENT

APARTMENT on 22nd

Avenue in south Minneapolis, a round-faced woman six months removed from Mexico fries chiles on her stove. Despite the welcome heat from cooking, Maria, who asked that her last name be withheld, says there's a downside to spending too much time in the kitchen: "It's really gross to be making dinner when the roaches come out," she says, pointing to a cockroach crawling on the countertop.

Living one flight up is Fabiola Rojas, a pretty young woman raising two-year-old Emiliano. In addition to roaches and mice, Rojas's apartment has flaking lead paint, and little Emiliano recently tested positive for lead poisoning.

Both women say the building lacks heat, and on a 25-degree afternoon their vents felt cool to the touch.

In a building across the street, the situation is similarly grim. One woman, a tired-looking cleaning lady who wouldn't give her name for fear of eviction, shares a one-bedroom apartment with her three children. Aside from a TV on a small desk and a thin mattress on the floor, her living room has no furniture. She had to throw it all out, she explains, because of the bedbugs that infested the apartment in the fall. She vacuums daily and has tried all

the pest killers she can find, but the bugs remain.

"If we get something new," she says, "it'll just fill up with bedbugs again."

These are not isolated incidents, and the tenants share one common denominator: Spiros Zorbalas, the brash bon vivant who owns and manages their buildings, along with more than 40 others in south Minneapolis. Many of the more than 700 units of housing he owns, particularly those occupied by poor, Hispanic tenants, are notorious for rodent and roach infestations, boarded windows, broken appliances, water-logged and crumbling floors and ceilings, overflowing dumpsters, drug activity, and lack of heat in winter.

Since arriving on the local real estate scene in the late 1990s, Zorbalas has been sued more than 200 times, primarily by tenants demanding repairs or former tenants seeking the return of their security deposits. Zorbalas has also had one rental license revoked for ignoring drug dealing, and been forced to pay \$13,000 to a carpet-cleaning company for a year's worth of unpaid services and another \$15,000 when a mother holding her infant son slipped and fell on a loose plastic runner in one of his stairwells.

City leaders do not disguise their disdain for Zorbalas. Councilman Gary Schiff, who has many of Zorbalas's most dilapidated properties in his south Minneapolis ward, says he is the worst landlord in the city. "This guy has lowered the bar for slumlords," Schiff fumes.

But while city officials insist steps have been taken to guard against landlords like Zorbalas, the trim, olive-skinned 44-year-old, who spends most of his time at his \$5.5 million beachfront estate in Naples, Florida, remains one of the largest rental property owners in Minneapolis.

For his part, Zorbalas says he takes care of his tenants, and that those with grievances are but a vocal few. He also says that anything written in *City Pages* will have no impact on his bottom line. "There'll be a little hoopla for a week," he says. "Big deal. We're going to keep running our business." And in any case, he says, "I have nothing to hide."

THE SON OF GREEK IMMIGRANTS who moved to the East Coast after World War II, Zorbalas got a dubious start to his business career. Court records show that at the precocious age of 22, and fresh out of Dartmouth College, Zorbalas was convicted of possession of cocaine with intent to distribute. Although the available records—a plea agreement from a later case—do not elaborate, they note that due in part to a previous conviction for larceny, he was handed a five-to-ten-year prison sentence, of which he would serve 18 months. (Despite [signing the plea agreement](#), Zorbalas now claims he's innocent of the charges. "I don't believe there's anything to that," he says.)

In 1988, shortly after getting out of prison, Zorbalas moved to Minneapolis and bought a house on Holmes Avenue. But the now 25-year-old had barely had a chance to adjust to the weather before he was back in trouble with the law.

Earlier that year, Zorbalas had purchased a 10-year-old, jet-black BMW. On a trip to Chicago less than a month later, he reported it stolen. After he filed a claim with American Family Insurance, the company reimbursed Zorbalas \$18,380 for the car, along with \$600 to Snappy Car Rental for his use of a loaner.

But that September, a suspicious insurance investigator spotted the BMW parked down the street from Zorbalas's house, according to court records. The investigator contacted the police, which had the BMW towed and impounded. That night, someone cut through the fence at the impound lot, beat up the security dog, and stole the car. A month later, police officers found the BMW parked three doors down from Zorbalas's house. When they swooped in to arrest him, he tried to run away.

While waiting for the charges to be filed against him, Zorbalas decided to become more acquainted with the legal system, enrolling at the University of Minnesota Law School. In October 1989, just two months into his first semester, Zorbalas was served with a federal indictment. Charged with five counts of mail fraud, he copped to one, admitting to filing a false insurance claim. Pleading guilty in state court to possession of stolen property, Zorbalas acknowledged an added deception: In order to maximize his insurance check, he'd altered the sales receipt of the car from \$21,500 to \$24,500.

Zorbalas was sentenced to nine months in the Duluth federal workhouse. While there, he did his best to keep his education from suffering. He got permission for a weeklong transfer to a halfway house in Minneapolis to take his finals. (Zorbalas claims he never served time, though [in a June 27, 1990, letter](#) he wrote that "I am presently in custody" in Duluth.)

Perhaps recognizing that his rap sheet would make getting admitted to the bar something of a long shot, Zorbalas soon shifted his career focus. After getting out of prison, he quit law school and focused his attention instead on the U of M's Carlson School of Management.

Shortly after graduating with an MBA in 1993, he took a consulting job at Arthur Anderson, the now-shuttered firm made infamous by its pliant Enron audits. Zorbalas eventually opened his own consulting firm based in Atlanta, but by 1999, Zorbalas recalled in an interview with a Florida paper, he was burned out from the traveling. He decided to try his hand at real estate.

BY THE TIME HIS FIRST MARRIAGE ended in 1996, divorce records show, Zorbalas owned two houses and a duplex in Minneapolis, as well as a partial share of a building in Florida. In 1999 he got serious about real estate, founding Uptown Classic Properties and snapping up a dozen apartment buildings.

He'd chosen an opportune time to invest. With rental vacancy rates hovering at 1.5 percent, it was a landlord's market. And Zorbalas quickly went about capitalizing—or, as he put it in a newspaper interview at the time, buying buildings "that have values that can be unleashed."

"When he came into town, he was willing to pay more than we thought the properties warranted," says Harold Teasdale, president of St. Louis Park-based Minnesota Brokerage Group, whose firm sold Zorbalas several buildings. "As it turned out, he was right in that properties did increase in value. Particularly during the condo-conversion craze."

Some of Zorbalas's new tenants saw a 60 percent hike in their rent from one month to the next, as *City Pages* first reported in a 1999 article. Those living at 905 E. Franklin Ave. were also subjected to Zorbalas's profound hatred of pigeons. They told of seeing Zorbalas wander their apartment complex with a BB gun. One woman saw Zorbalas with the gun when she left for work, then returned that evening to find a hole in her window and broken glass on her floor.

Yet Zorbalas continued to expand his real estate empire. In 2001 and 2002, he spent more than \$30 million on another 29 buildings, almost all of them in south Minneapolis. With these new investments, Zorbalas modified his strategy. While he maintained relatively high-rent buildings in Uptown, Zorbalas was now in the business of down-market properties in the poor, minority neighborhoods flanking East Lake Street. And Zorbalas established novel ways of milking his new tenants, such as charging upward of \$100 extra for "non-emergency" maintenance work done on weekends and demanding \$80 a day in penalties for late rent.

The complaints soon followed. By the end of '02, Zorbalas and his company faced 50 lawsuits in conciliation court, mainly over unreturned security deposits. The landlord also racked up hundreds of complaints to city inspectors—everything from outbreaks of mold to small armies of roaches and mice.

At the end of 2002 Zorbalas shuttered Uptown Classic Properties, shifting ownership of the buildings into a series of new companies with obscure names like SZ112 Inc., R110 Inc., and S1322 Inc. He spun the property management component of Uptown Classic Properties into UPi Property Management Company.

Then, claiming that Uptown Classic Properties no longer existed and had no successors, he set about trying to get all claims against the company thrown out of court.

It worked in many of his cases, but when a Somali immigrant named Mohamed Ali Mohamed sued to get his security deposit back in late 2002, the judge in the case saw Zorbalas's gambit for what it was. Uptown Classic Properties, S1322, and UPI, wrote Judge John Holahan, "are all shells established by Mr. Zorbalas in an attempt to avoid creditors. In fact all of these companies are alter egos of Mr. Zorbalas." The judge ordered Zorbalas to pay Mohamed the deposit and more than \$1,000 in penalties.

"The judge was pontificating," Zorbalas counters. "He had no facts. He was 100 percent wrong." In spite of the [judge's ruling](#), Zorbalas insists he won the case.

Tenants weren't the only ones suing Zorbalas. In 2002, he hired AL Cleaning Services, run by Violeta Lopez, to vacuum carpets in his buildings. According to the complaint Lopez filed in 2004 in Hennepin County District Court, Zorbalas didn't pay her for more than a year's worth of work, and stopped returning her calls and emails. "From the beginning he never paid me on time," she complained. After a year and a half of legal wrangling, Zorbalas eventually settled, agreeing to pay Lopez \$13,000.

She wasn't the only worker he stiffed. In May 2002, Jilene McMillion, an office manager working for Zorbalas, quit her job to spend more time with her mother. When her final paycheck arrived weeks late and hundreds of dollars short, she sued. Zorbalas forced the case to arbitration, where he was ordered to pay McMillion \$2,200.

The same month, Zorbalas fired Cody Forester, a handyman who'd worked for his company for more than a year and who'd repeatedly complained about not having his taxes withheld from his paycheck. Forester filed a lawsuit for wrongful termination and accused Zorbalas of illegally keeping him off the books for tax purposes. Zorbalas quickly settled the case on confidential terms.

"I don't comment on employees," Zorbalas says.

Even as he mistreated tenants, eluded creditors, and shortchanged his workers, Zorbalas presented a clean-cut image when he went before St. Paul city leaders asking for taxpayers' money. After teaming with two other developers in downtown St. Paul to construct The Aberdeen—a 57-unit luxury condo building—in the spring of 2004, Zorbalas moved ahead with plans to erect a 259-unit luxury eight-story building on Jackson Street. Even though his project allowed for a mere 12 units of affordable housing—a stated city priority—Zorbalas hooked city leaders on it. In July 2004, St. Paul's Housing and Redevelopment Authority, which is made up of members of the City Council, voted to grant Zorbalas \$3.99 million in forgivable loans for the project.

But in fall 2004, with evidence of a coming downturn in the market mounting, Zorbalas pulled the plug on the Jackson Street Lofts, as he'd dubbed them.

IN NOVEMBER 2004, POLICE WERE called to 3121 Cedar Avenue, a rundown three-story building owned by Zorbalas. Inside an apartment on the third floor, a pair of officers found a bedraggled, stringy-haired man who told them he'd been smoking crack there for two days straight. The police department sent a certified letter to Zorbalas warning him to straighten up the building or risk losing his rental license.

The letter was returned unopened. Twice more in the following weeks, cops showed up at the same apartment complex, each time to serve search warrants on khat dealers working out of the building. After each incident, the city mailed letters to Zorbalas's office demanding that he take action to rid the property of drug dealers. Each time, the letters were returned unopened.

When the city finally revoked Zorbalas's rental license, he cried foul, insisting the city hadn't given him proper notice. After more than a year of unsuccessful appeals, during which Zorbalas explained that he'd instructed employees not to accept any mail for him, he gave up and sold the building.

At about the same time, Family and Children's Service, a nonprofit social services agency in south Minneapolis, began a push to organize Zorbalas's tenants. Two of the agency's workers went door to door, talking to tenants and drawing up a sobering list of complaints.

One of the buildings organized was 3100 Bloomington Ave., where Angelina Ardid lived with her husband and two-year-old son, Manases Ruiz. On September 14, 2004, as Ardid carried young Manases in her arms, she tripped on a loose plastic runner on the hallway stairs. The toddler took the brunt of the fall, suffering a broken right leg. The family, which lacked health insurance, sued. A year and a half later, long after Zorbalas had agreed to settle, it took the county sheriff to get him to cough up the \$15,000 he owed.

In April 2005, dozens of tenants from 13 buildings sent Zorbalas a letter demanding that he fix their apartments within two weeks. They invited him to attend a community meeting. Zorbalas didn't show, instead sending a form letter that made it clear who was in charge: "It is important to understand that your eating habits may cause some of your problems with pests," he wrote, adding that "you have a responsibility to keep your place clean, which includes not throwing trash outside." The letter also announced that he would no longer give advance warning of any work he chose to do inside of apartments. "You have given us notice that you want us inside your apartment. That is the only notice we need."

He closed in a conciliatory tone. "Again, thank you for your letter and your willingness to work with us to keep you happy tenants!"

Despite his high-handedness, the organizing effort did achieve some success. In the fall of 2005, after a couple of embarrassing stories about terrible living conditions aired on Fox 9 News, Zorbalas sold 15 of his properties, including five of the 13 where tenants had organized against him.

"That had nothing to do with it," Zorbalas counters. "It was a good time to sell."

Family and Children's Service claimed a landmark victory. But with Zorbalas still owning another 40 buildings, the celebration was premature.

LAST FALL, 23-YEAR-OLD COLLEGE student Chris Standiford moved into a Zorbalas-owned one-bedroom apartment on Stevens Square. It didn't take long for things to go wrong. First the kitchen ceiling sprung a leak, which soaked the floor. When Standiford called his landlord's emergency number, he was told that reporting the problem would cost \$50.

Two weeks later, after the smell of mold had settled in, a handyman finally showed up and plugged the hole. A couple of days after that, Standiford noticed buckling in his bathroom ceiling. Again, he called Zorbalas's company. "We'll get to it when we can," he recalls being told. A few minutes later, as Standiford was washing his hands at his bathroom sink, chunks of the ceiling fell on him.

For the better part of the next month, the McNally Smith College of Music student had to pick his way over debris to get to the toilet. To shower, he drove to his parents' house in St. Paul. Even after being repaired, the delicate ceiling seems like it could crumble at any time. "It still looks like crap," he says.

Recently, a new organizer at Family and Children's Service decided to renew the pressure on Zorbalas. Like her predecessors, Sara Hagestad went door to door in several of Zorbalas's buildings to document the problems. In December, she put together a letter signed by dozens of Zorbalas's tenants in 11 of his buildings, five of which her agency had previously organized. Thus far, Zorbalas hasn't responded.

Hagestad doesn't expect Zorbalas to change his stripes, but she wonders why the city isn't doing more to stop him. "They should kick him out and have the properties taken over by responsible and law-abiding landlords that will take care of them," she says.

According to city law, a landlord can be banned from Minneapolis for five years if two rental licenses are revoked in a two-year period. But in practice, such revocations are limited almost exclusively to properties with rampant crime, not those with chronic repair or pest issues. City officials insist they are doing their best to protect tenants. "If we go out and see a violation of the housing code, we issue an order," says Henry Reimer, head of the city's inspections department. "That requires the owner to take steps to abate that illegal condition."

Just down the street from one of the buildings Zorbalas sold off in 2005, the property manager of 3725 Cedar Ave., a 41-unit building, blocked a reporter from going inside. In the back, as is the case with several of Zorbalas's properties, the dumpster had been overflowing with garbage for over a week. And on a street that was the recent scene of a massive prostitution bust, one of the building's longtime tenants is a pimp. Fully decked-out in Shaft-like duds, "Hollywood," as he's known, is hard to miss. His whores turn tricks in his beat-up green Cadillac parked around the corner.

Next door, a middle-aged couple sits in the living room of their tidy house. Steve and Mary Lowther managed the apartment complex next door for years, starting in 1979. It used to be a nice building, they say. But since Zorbalas took over, they have witnessed its steady decline. The mounds of garbage and the uncut grass have hurt their property value, they say. But that's not their greatest concern.

"There are a lot of families trying to survive there," Mary says. "I hope he's not trying to take advantage of them."

See an [interactive map of Spiros Zorbalas's properties](#) and [view legal documents](#) pertaining to this story.