

CAMPUS

The corporate neighbor

A growing corporate structure to the landlord model is outpacing some city and University tools used to keep an eye on rental property owners. As more homes in the University district become rental property, it might surprise you to find out who your neighbor is.

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This story incorrectly stated the name for a limited liability company, abbreviated LLC. It referred to an LLC as a limited liability corporation, which is a commonly used term for the organization, but not the proper name.

By most standards, 1231 8th Street SE doesn't look like a business.

Signs of residential life — furniture on the porch, a few beverage cans here and there — point to this being an average student rental home. But this house and 1221 8th Street S.E., a duplex two doors down, are more corporate than what meets the eye.

They are both registered in the name of two different corporations and run by two different people, but both are technically owned by Jim Eischens, whose business illustrates the complexity of the campus rental property system.

Since a 2003 fire in Dinkytown killed three University of Minnesota students, off-campus housing has undergone revolutionary changes aimed at creating safer campus housing.

City inspections swept through the University district, catching more than 100 code violations of poor property conditions and over-occupancy.

Since then, many landlords have gone semi-corporate, complicating inspections and University



A plaque resides near Van Cleve Park on 15th Ave. in memory of three University students that died in a Sept. 2003 house fire.

ANTHONY KOOP

policies.

Forged in fire

On Sept. 20, 2003, students Elizabeth Wencl, Amanda Speckien and Brian Heiden died when their 827 15th Ave S.E. duplex burst into flames.

The only exit was through a double door on the porch where the fire started — survivors jumped from the second story window; the three students died of smoke inhalation.

Inspectors cleared property owner Eischens of negligence, but the fire left him, and the rest of the area landlords, in the center of a public outcry for safe rental housing.

In 2003, Eischens owned more than 100 properties. At the time, he was the source of the most tenant complaints through University Student Legal Service (SLS).

“Public officials became up-in-arms, and part of the problem was this level of hysteria,” Patrick Burns, Eischens’ lawyer said. “Now what you’ve seen is the vigilance of the city and the University have increased livability standards.”

The city conducted a sweep of about 700 rental properties around the University, checking all properties with three units or more.

Burns said that at one point city inspectors checked more than 80 of Eischens’ properties in a month, but all violations were fixed and Eischens never lost a renters license.

Dick Poppele, president of Prospect Park East River Road Improvement Association and 42-year area resident, said that since the sweeps roughly 2,000 problems have been fixed at properties around the University.

Within the first few months of the sweep, the city found 180 code violations out of 250 houses. Of those, 61 violations dealt with over-occupancy, forcing students to relocate.

St. Paul and Minneapolis city councils enacted new ordinances that could strip licenses from landlords if they found multiple code violations.

The University also created a policy that delisted negligent landlords from their off-campus housing Web site. At the time, the University listed every licensed landlord in the area, totaling 3,166.

But challenges arose when authorities tried to enforce their new policies because of the complicated structure typical of rental housing.

A company neighborhood

Under the guidance of attorneys, many mid-sized and larger landlords now create dozens of limited liability corporations (LLCs), then give their properties to the companies — a common legal step in the industry.

On some streets, Eischens owns up to seven different LLCs — some blocks apart, others separated by less than 100 feet.

This practice is a perfectly legal way to separate personal assets from company assets, University corporate law professor Brett McDonnell said. “If something goes bad in the building, if someone gets hurt and you have some big judgment against you, you don’t want all of your business to be destroyed by it.”

But LLCs have created problems for the city inspectors, Ward 2 Council Member Cam Gordon said.

“We’ve tried to get more clarity on who actually owns the property,” he said. “Some of these limited partnerships, we don’t know who they are, and it makes it difficult to keep them accountable.”

The Minneapolis city Web site lists renter licenses for properties within the city limits, but doesn’t list who owns each individual LLC. Most attorneys register the company for clients, a step that further limits risk for property owners.

Several years of rental license information can also be lost on the Minneapolis property Web site. The glitch occurs when a property owner or LLC renews a rental license in a property manager’s name.

The result is that the Web site may wipe data showing who owned the license the years before it was renewed.

But from a business standpoint, landlords and property managers praise the practice of creating LLCs and having property managers as a smart, legitimate business decision.

“You do it for tax purposes, you do it for liability purposes,” Burns said.

Bill Dane, an attorney in the SLS, keeps tabs on several of Eischens’ properties, and he gave a list of them to the Minnesota Daily. Through public documents, it was verified that Eischens has a vested interest in at least 41 LLCs, a practice Burns said helps Eischens minimize his risk and help with taxes.

Daniel Oberpriller, who owns 22 rental properties around the University, said “smart” landlords put their businesses into LLCs and then manage their properties through a third-party company because it minimizes the amount for which a person can sue. This is a common practice in the business world.

Jason Klohs, secretary for the University Neighborhood Improvement Association and a local landlord who owns 15 properties, said he looks forward to when his business grows large enough to set his

structure in LLCs.

But Dane, who specializes in housing issues and is a resident of Southeast Como and member of the Southeast Como Improvement Association, said that property owners' use of LLCs is a serious issue.

"We don't take the position that students shouldn't rent from any landlord," he said. "But we do think that students should be able to know who they're renting from."

Klohs said that many owners choose to put each house in a different LLC, but keep each house under one name, a practice he said he might try.

But if properties are not under one owner's name, the myriad of LLCs makes it difficult for the University to keep track of property owners.

University of Minnesota Housing and Residential Life delists landlords who have three or more unresolved student complaints through SLS. But if SLS doesn't link offenses between different LLCs or property managers, then complaints against a property owner may never stack up.

Right now there are only five names delisted from the off-campus housing Web site: Jim Eischens, his brother Richard Eischens, an Eischens property manager named Yolanda Wolfe, Michael Matejcek and Twin Cities Housing and Realty.]

Eischens has never had a rental license pulled, and much of this scrutiny is because SLS has paid Eischens undue attention, Burns said. "If he was really as bad as they say he is, he would have been shut down."

Mannix Clark, associate director of University Housing and Residential Life, said the delisting system was created to stop negligent landlords from having employees register properties for them.

"But I wouldn't lie to you and tell you that some people haven't tried to do it," he said.

In past Daily articles, Eischens was quoted saying that it was unfair for the University to create this list. If a landlord resolved a complaint in court, but the student wasn't pleased with the outcome, the landlord could still be punished by being delisted, he said.

The community's future

In 2008, the city enacted an ordinance that strips a landlord of all rental licenses if the property owner doesn't pay court-ordered judgments against their businesses.

This has helped keep owners accountable, Gordon said, because the city can deny all of the owner's licenses if two are pulled at different locations, even for different LLCs.

James De Sota, coordinator for the Southeast Como Improvement Association, said dealing with LLCs rather than people is frustrating because only half of students know their actual landlord.

Though problems still persist due to the increasingly complex nature of area rental housing, landlords and community representatives say living conditions became slightly better for student renters after the fire-prompted inspections.

Burns said his clients like city inspections and ordinances because the law keeps property safe and livable.

“I think it’s getting better,” he said. “I’ve never had a landlord, never heard a client complain about housing code.”

Poppele and Dane said several property managers have lead to some negligent behavior by less attentive landlords — an outcome of the corporate structure of housing.

“If you are renting from an organization that rents one property, the stakes are a lot lower,” Dane said. “You can just change the name of the [LLC].”

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