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6 Proposed Attorneys for ROBB EVANS, Receiver

FILED

NOV 12 2013

SUPERIOR COURT OF CALIFORNIA
COUNTY OF FRESNO

BY _____ DEPUTY

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8 **SUPERIOR COURT OF THE STATE OF CALIFORNIA**
9 **COUNTY OF FRESNO**

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11 CITIZENS BUSINESS BANK, a California
corporation successor by merger to KAWEAH
12 NATIONAL BANK,

13 Plaintiff,

14 v.

15 JOHN PUIG, individually and as trustee of the
16 JOHN PUIG AND OBDULIA PUIG
REVOCABLE TRUST, DATED
17 FEBRUARY 15, 2000; OBDULIA PUIG as
trustee of the JOHN PUIG AND OBDULIA
18 PUIG REVOCABLE TRUST, DATED
FEBRUARY 15, 2000; LIONEL PUIG, an
19 individual; VIRGINIA HILDAGO a.k.a.
VIRGINIA PUIG, an individual; WEB
20 SERVICE COMPANY, INC., a California
corporation; COMCAST OF FRESNO, INC.,
21 a California corporation; CITY OF FRESNO
DARM (COMMUNITY REVITALIZATION
22 DIVISION), a public entity; CITIBANK,
N.A., a national association; CAPITAL ONE
23 BANK (USA), N.A., a national association;
FRESNO COUNTY TAX COLLECTOR, a
24 public entity; and Does 1-100, inclusive,

25 Defendants.
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Case No. 13 CE CG 02861 KCK

**NOTICE OF FILING OF RECEIVER'S
INVENTORY AND FIRST REPORT OF
ACTIVITIES**

[NO HEARING REQUIRED]

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PLEASE TAKE NOTICE that attached as Exhibit "1" is the Receiver ROBB EVANS'

Inventory and First Report of Activities.

Dated: November 11, 2013

LANG, RICHERT & PATCH, P.C.

By



Michael J. Gomez
Proposed Attorneys for
ROBB EVANS, Receiver

ROBB EVANS
Receiver of a 56 Unit Apartment
Sylmar Place
1320 NORTH SYLMAR and 5148 EAST HEDGES,
FRESNO, CALIFORNIA 93727

Report of Receiver's Inventory and Activities
September 19, 2013 through October 21, 2013

The Receiver¹ has completed the first month of control of the 56 unit apartment building known as Sylmar Place. Following is a brief summary of events and results of this initial period. This report will discuss the health and safety regulatory violations, physical problems, and occupancy issues existing at the receivership property. This report will also function as the initial inventory normally served after the first 30 days of receivership. This report includes a schedule of the Receiver's fees and expenses and a separate report of receipts and disbursements for the property.

Appointment of Receiver

Following the Receiver's appointment on September 19, 2013, the Receiver immediately extended the existing two-person security patrols on site from four hours each night to 24 hours each day, seven days each week because of reports about violence at the site. The Receiver then made contact with one of the defendants, Leo Puig who managed the property for the Puig family to arrange for an orderly transfer of control, learn information and details about the property and the insurance coverage and try to obtain any available books, records, and remaining rental funds.

Property Description

The Receiver determined that the address of the property, 1320 North Sylmar was one of two addresses identifying the property. The other address, 5148 East Hedges, shares the same legal description and assessor's parcel number as the North Sylmar address. The property encompasses 1.87 acres. Each address contains two, two story buildings. The two story

¹ Reference to the Receiver in this report means the Receiver, the Receiver's deputies, its staff, and its counsel.

buildings at each address are connected by a walkway. There are a total of 56 units in the two buildings combined. Each building has 10 one bedroom units and 18 two bedroom units.

Regulatory Health and Safety Violations

City of Fresno

Plaintiff Bank, Citizen's Business Bank, provided the Receiver a report from the City of Fresno containing in excess of 380 health and safety code violations at the property. The City scheduled an inspection on October 1, 2013 to confirm the property owner eliminated the violations cited in the report. If the City cannot confirm the property owner is making significant progress toward eliminating violations, the City could then post a notice declaring the property uninhabitable. The Receiver contacted the City of Fresno, advised them of the receivership, and arranged to meet with inspection personnel on September 24, 2013.

City of Fresno Housing Authority

Mr. Leo Puig notified the Receiver that the City of Fresno Housing Authority had issued a number of violations in the Section 8 Housing Authority units. He advised that the Housing Authority would conduct an inspection on September 24, 2013 to confirm the property owner had resolved the violations satisfactorily. The Receiver contacted the City of Fresno Housing Authority, advised them of the receivership, and notified them the Receiver would attend the inspection on September 24, 2013. Housing Authority personnel provided the Receiver with a copy of the Housing Authority Violation Reports, which contained over 225 violations in seven units.

While the City of Fresno report and the Housing Authority report had some overlapping violations, the two reports totaled in excess of 425 violations. Violations included hazardous conditions on the stairs and upstairs walkway and walkway railing, which were not adequately secured to the walkway. Additional violations included exposed electrical wiring, mold, non-working appliances, insect and rodent infestation, including bedbugs in a few of the units as well as apartment front doors without identifying numbers or entry hardware.

On Site Meeting with City of Fresno and Fresno Housing Authority

On September 24th the Receiver met on site with the City of Fresno Inspectors to review the 380 plus violations and the Fresno Housing Authority inspectors to confirm the status of repairs of the 225 plus violations. The two inspections were held separately. Judith Costa, daughter of defendants John and Obdulia Puig was present during the inspections representing her parents. John and Obdulia Puig were also represented by counsel and their realtor during the inspections. Defendant Leo Puig turned over to the Receiver a box containing files of tenant records; however he did not remain on site for the inspections. At the request of the Receiver several contractors were present at the inspections in order to provide proposals to eliminate violations.

Inspectors of both agencies confirmed that the property owner had not adequately addressed any of the violations. The Housing Authority inspectors notified the Receiver that due to the lack of action taken to eliminate violations, rent from the Housing Authority would abate effective October 1st for all Section 8 units. Further, the contract with the Housing Authority would be cancelled October 24th. The Receiver subsequently received Cancellation of the Housing Authority contract.

The Receiver entered a dialog with the City of Fresno to determine what steps could be taken in the following six day period to prevent the City from posting notices on the buildings for health and safety hazards and prohibiting occupancy. The City identified for the Receiver a list of ten critical items that needed to be in the process of resolution when the inspectors returned on October 1st. Although City officials did not guarantee that efforts toward working on those items would allow the building to remain occupied, the City officials stated that evidence of progress would show good faith and could positively impact a decision to allow the building to remain open.

Those items were:

1. Secure and re-enforce all loose balcony guard rails and stairway handrails in approved manner.
2. Properly space all balusters to min 4 inches and replace any damaged ones.

3. Properly support all damaged walking surfaces (soft spots) at the balconies.
4. Install cover plates on all exposed electrical wiring
5. Install carbon monoxide and smoke alarms in all units in which they are missing and replace damaged ones.
6. Contract a licensed pesticide agent to treat all units and the exterior of the building and yards to eradicate the infestation of roaches, bedbugs and rodents.
7. Repair damaged and/or leaking plumbing lines.
8. Secure all vacant units with 5/8 plywood
9. Replace all damaged front entry doors and install door hardware.
10. Replace all missing address identification numbers so that all units can be identified by staff and emergency response personnel.

The Receiver's observations during the inspections confirmed the Agencies' findings and that the grounds and buildings had been abused and neglected, inside and out for months, perhaps years. The Receiver spoke with the tenants on site and notified them of the Receivership. Additionally, the Receiver posted the Receivership Order. Tenants told the Receiver that an exterminator had sprayed for bugs four days earlier. However, the Receiver observed an abundance of roaches and several instances of rats and black widow spiders. Tenants had not observed any repair work being done at the property. The pool gate was secure. The pool equipment was not in working order.

Action Taken by the Receiver

The Receiver solicited proposals from several contractors to address not only the ten critical items but all of the items on the lists of violations issued by the City and the Housing Authority. Only one of the contractors presented a written proposal for the ten critical items. Under Tab 1 is an itemized estimate of \$107,860. The Receiver estimated an additional \$20,000 to temporarily relocate tenants for three days while the contractor tented and treated the buildings for vermin.

The same contractor provided a verbal estimate of the range of cost to resolve all of the violations at \$275,000 to \$350,000. Some of the critical items would have to be fixed twice, once as a temporary solution and then a second time with permits.

Mr. Leo Puig notified the Receiver that the Buildings did not have full insurance coverage. He stated that only liability insurance was affordable. The Receiver contacted the insurance company and confirmed that there was only liability insurance on the building and it was in jeopardy of being cancelled due to the premium payment check being returned for insufficient funds. The Receiver reinstated the liability insurance and subsequently obtained fire and hazard insurance.

The Receiver learned that the realtor engaged by John and Obdulia Puig to sell the building had three pending offers on the property ranging between \$1,400,000 and \$1,600,000. Two of the three offers were to purchase the property "As Is". These offers were back-up offers that became active when the property fell out of escrow on an "As Is" sale the Puig family had accepted of \$1,600,000. The realtor advised the Receiver that he believed the potential buyers would not adjust the pending offers based on the tenancy status of the property.

The Receiver discussed with the Plaintiff Bank, Citizens' Business Bank, funding requirements of the Bank to pay for the estimated repairs. The Receiver expressed concern that, due to the nature of the violations, there were likely many hidden problems that could surface as repairs were made. Based on the Receiver's previous experiences with buildings in similar condition, repair costs could easily increase in excess of 60% without adding commensurate value to the buildings. The Receiver discussed with the Bank the three pending offers and the realtor's opinion that response from the market would not substantially change if the buildings were vacant.

The Receiver determined that due to the severe health and safety hazards at the buildings, time constraints on resolving the hazards with no assurance the buildings could remain occupied, and the unknown true cost of clearing the violations that it was not feasible to commit to eliminate the violations.

The Receiver notified the City that the Receiver staff would not engage contractors to complete repairs that would remove the violations and address other deficiencies and deferred maintenance. Additionally, the Receiver directed his staff to notify tenants that the property would likely be cited by the City as uninhabitable, which would require all occupants to immediately vacate. The Receiver requested and received additional time from the City to allow the tenants to relocate.

The Receiver engaged the services of a property management firm to identify the true tenants on site. The property management company then notified tenants of the upcoming need to relocate as well as the relocation assistance funds the Receiver would provide. The Receiver successfully vacated all of the units, obtained apartment keys, and released the required relocation assistance funds by 5 PM, October 7, 2013, the day the City noticed the buildings as uninhabitable.

The Receiver's contractors boarded up all openings in the buildings, removed all trash and debris, and installed security fencing around the complete perimeter. The Receiver also adjusted the existing guard service to prevent individuals from coming on to the property.

The Receiver issued counter offers to all three offers and is awaiting a response from the potential buyers.

Financial Report

None of the defendants turned over any funds, financial records, or tenant payment history records to the Receiver. Mr. Leo Puig e-mailed to the Receiver a rent roll, which the Receiver determined was inaccurate, incomplete, and totally inadequate to confirm the identity and payment status of the current tenants. Mr. Leo Puig did not respond to subsequent requests for information. The utility companies and the insurance company notified that Receiver that payments were severely delinquent.

Respectively submitted,

/s/

Robb Evans
Receiver

TAB 1

Jesh-N Construction, Inc

P.O Box 6057 Fresno, CA 93703

Ca. License # 843664

(559) 217-6281 Fax (559)981-2234

Proposal

Date:

September 26, 2013

Customer:

Coleen Callahan
Asset Manager
Robb Evans and Associates LLC
11450 Sheldon St
Sun Valley, Ca 91352-1121

Project Location:

1320 N Sylmar and 5148 E Hedges in Fresno, Ca 93727

Project Description:

Provide all labor and materials required to accomplish the tasks described below:

1) Exterior

a. Balcony and Stairways

- i. Provide and Install 5/8" plywood at the complete exterior of the balcony railings and stair rails to temporarily secure and mitigate the improper gapping per City of Fresno report. Install the new plywood at the interior of the existing railing and the interior of the stair rails. Approx. 125 sheets of 5/8" osb, 75 16'x2"x4", attachment hardware and associated tools and equipment.

1. Estimated temporary repair cost \$9,200.00
2. Estimate complete replacement of railings, landings, overhang flooring and dry rot mitigation \$120,000

b. Walking Surfaces

- i. Provide and install 5/8" plywood at the soft areas of the 2nd story landings. Secure all areas with appropriate hardware. There are many areas where the dry rot has compromised the structural integrity of the overhangs and landings. This application is a patch until further investigation and a detail scope of work can be created and presented to the owner for approval.

1. Total \$2,500.00

c. Electrical

- i. Install cover plates at all exposed wiring locations. Install temporary porch lights at unit entrances. Provide and install new site lighting at 4 existing locations for security reasons. The complete extent of electrical concerns are unknown at this point. This work will be billed at a time and material rate of \$95.00/hour per man. Estimated overall cost should not exceed \$20,000.00. If costs will exceed this amount the owner or agent will be provided with a written estimate to approve prior to commencement of the additional work.

1. At a rate of \$95.00/hr not to exceed \$7,500.00

d. Smoke Detectors and Carbon Monoxide

- i. Provide and install new battery smoke detectors at each hallway and bedroom. Provide and install a CO2 alarm at the hall of each unit. Installation will be per industry standard and City of Fresno requirements. A total of 56 Co2 alarms and approx. 110 smoke alarms

1. Total \$8,050.00

e. Pesticide Treatment

- i. Provide professional chemical treatment of the interior of 56 units and the complete exterior of the buildings to treat for roaches and bedbugs. There will be a second treatment likely required. Provide fumigation of both sites with chemical treatment. Temporary tenant relocation is required.

1. Total \$18,500.00

f. Plumbing

- i. Repair damaged or leaking plumbing lines and connections at the exterior of the complex. The extent of the overall damaged is currently unknown. A charge of \$95.00/hour will be used in the correction of the plumbing related items. The overall estimated amount should not be greater than \$8,000. If costs will exceed this amount the owner or agent will be provided with a written estimate to approve prior to commencement of the additional work.

1. At a rate of \$95/hr not to exceed \$8,000.00

g. Entry Doors

- i. Remove the existing entry doors at 56 units. Provide and install new pre-hung entry doors with new lock sets master keyed to owners specifications (within industry standards). \$810 per entry door including lock sets and associated trim.

1. At a rate of \$810 per entry door not to exceed \$45,360.00

h. Address

- i. Install new metal applied unit numbers on the front of each entry door. Owner/Agent will provide a current site map with unit numbers.

1. Total \$1,500.00

i. Vacant Units

- i. Secure approx. 10 units with 5/8 plywood per City of Fresno.

1. Total \$3,500.00

- j. Professional services and consulting. Alain Jeschlen will provide professional construction consulting between the City of Fresno and Owner/Agent. Which includes site meetings, site research, site inspections, coordination meetings and schedules, planning and planning review, scope of work development, scope of work review with the City of Fresno and staff, review and development of plans, weekly reporting (owner to provide format). All services will be provided at an hourly rate of \$125.00, billed weekly and paid biweekly.

i. The Owner/Agent ACCEPTS the consulting X_____

ii. The Owner/Agent DECLINES the consulting X_____

NOTE TO ENCL001 30 6.5
\$3,750

All work shall meet or exceed industry standards and local building codes. This proposal excludes permit fee's, application and preparation process, plans or drawings, this charges will be billed separately and paid by the Owner/Agent.

Contractor cannot be held responsible for any damage caused by owner abuse, an act of God or other circumstances out of his control. Leakage from existing flashing, air-conditioning and/or vent problems are not guaranteed. All material is guaranteed per manufacturers specifications, which will be supplied by Contractor. Roof installation is guaranteed for a period of five (5) years. Contractor to retain and remove all excess materials from jobsite. Contractor shall maintain workers compensation and liability insurance required by State of California and homeowner shall be responsible for any additional insurance they should deem necessary. Any additional work that is not part of this contract shall be considered and "Extra Expense" and not be undertaken until written approval is received from the owner.

"NOTICE TO OWNER"
(Section 7018.5 - Contractors License Law)

Under the Mechanics Lien Law, any contractor, subcontractor, laborer, materials man or other person who helps to improve your property and is not paid for his service, labor or material, has a right to enforce his claim against your property. Under the law, you may protect yourself against such claims by filing, before commencing such work of improvement or a modification thereof in the county recorder where property is situated and requiring that the contractors payment bond be recorded in such office. Said bond shall be in the amount not less than (50%) of the contract price and shall, in addition to any conditions for the payment of the contract, be conditioned for the payment in full of the claims of all persons furnishing labor, services, equipment or materials, for the work described in said contract. If either the proposal and/or the acceptance of the Proposal and Contract is made at other than the premises at which Contractor or Owner normally carries on business, the you, the Buyer may cancel this transaction at any time prior to midnight of the third business day after the date of this transaction.

ACCEPTANCE OF PROPOSAL

The above prices, specifications and conditions are satisfactory and are hereby accepted. You are authorized to commence the work as specified. Project completion is unknown without further review and investigation.

Owner

Date

Contractor(Jesh-N Construction)

Date

(Contractors are required by law to be licensed by the Contractors State License Board. Any questions concerning a contractor may be referred to the Registrar Contractors State License Board, P.O. Box 26000, Sacramento, CA 95827)