

| | | | | | | |
|--------------|------|---|------------|---|-----------|--------|
| Current Rent | 940 | | Reno Costs | | Rent, but | Market |
| 15% Increase | 1081 | + | 232 | = | 1,313 | 1,300 |

^ to be charged starting after current tenants leave (if approved)

Renovation Budget

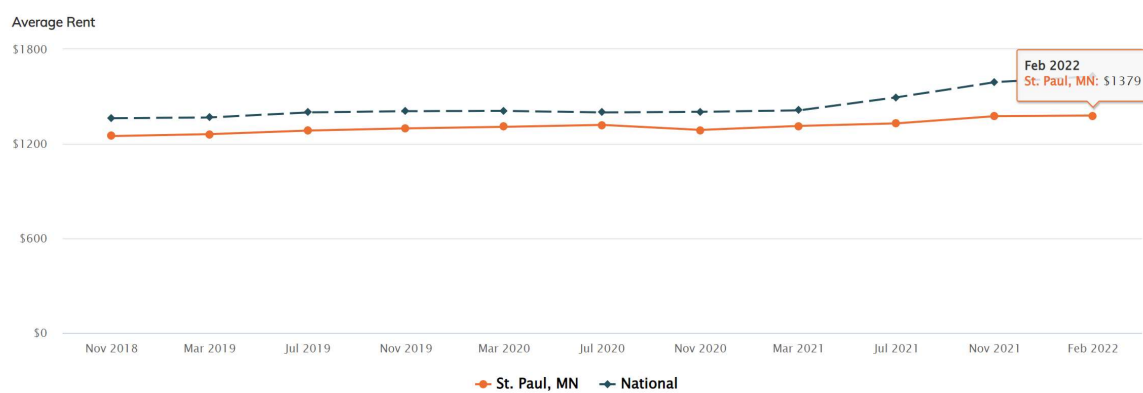
(costs include installation) - Estimated

| | | Useful Life | \$/Month | |
|--------------------------------|---------------|-------------|------------|--------------------------------|
| Cabinets | 1,200 | 10 | 10 | |
| Countertop | 1,100 | 10 | 9 | |
| Closet Doors | 1,250 | 10 | 10 | |
| Bedroom Carpet | 2,500 | 5 | 42 | |
| Dishwasher | 1,250 | 5 | 21 | |
| Flooring | 5,500 | 5 | 92 | |
| Hardware | 150 | 5 | 3 | |
| Painting | 1,500 | 5 | 25 | |
| Cleaning | 500 | 5 | 8 | |
| Demo + Dumpster | 750 | 5 | 13 | |
| Overage 20% | 3,140 | 6.5 | 40 | 6.5 is average of useful lives |
| Complete Reno of Unit 1 | 15,700 | | 232 | |

| City | Zip Code | Beds/Baths | Distance from Raymond | 2019 | 2020 | 2021 | 2022 | CAGR |
|-----------------|----------|------------|-----------------------|-------|------------|-----------|-----------|-----------|
| Minneapolis | 55413 | 2/1 | 3.25mi | NA | NA | 1,580 | 1,500 | -5% |
| <i>growth %</i> | | | | | | | | -5% |
| Minneapolis | 55413 | 2/1 | 3.25mi | NA | NA | 1,537 | 1,540 | 0% |
| <i>growth %</i> | | | | | | | | 0% |
| Minneapolis | 55413 | 1/1 | 3.25mi | NA | 1,100 | 1,180 | 1,230 | 6% |
| <i>growth %</i> | | | | | | 7% | 4% | |
| Minneapolis | 55413 | 1/1 | 3.25mi | NA | NA | 1,200 | 1,250 | 4% |
| <i>growth %</i> | | | | | | | 4% | |
| Minneapolis | 55413 | 2/1 | 3.25mi | NA | NA | 1,350 | 1,500 | 11% |
| <i>growth %</i> | | | | | | | 11% | |
| Minneapolis | 55413 | 1/1 | 3.25mi | NA | NA | 1,200 | 1,240 | 3% |
| <i>growth %</i> | | | | | | | 3% | |
| Minneapolis | 55418 | 4/1 | 3.50mi | 2,100 | 2,030 | 2,040 | 2,040 | -1% |
| <i>growth %</i> | | | | | -3% | 0% | 0% | |
| Minneapolis | 55418 | 3/1 | 3.50mi | 1,770 | 1,800 | 1,834 | 1,834 | 1% |
| <i>growth %</i> | | | | | 2% | 2% | 0% | |
| Average | | | | | -1% | 3% | 2% | 2% |

There has been a lot of press around the increasing cost of rent. St Paul is growing at a slower rate than the national average.

St. Paul, MN Rent Trends



As discussed in the hearing, any information related to the following items can be sent to me at Joanna.zimny@ci.stpaul.mn.us :

1. Clarification of ownership and title of property, in particular the deed appearing to be a “trustee” versus a “warranty” deed – looking for confirmation Winter Trust no longer in any ownership position;
2. Anticipated rate of return for 2022 with and without rent increase – please include the means by which this is calculated;
3. Unit by unit information on completed and proposed improvements with schedule, as well as those with building/property-wide impacts;
4. Information on increases in occupancy (or anticipated increases) by unit which could result in 15% increase in rent allowable for that unit above the rent increase requested for all units; and
5. Additional information/substantiation on answers to Section XXB & C questions in MNOI worksheet, where you indicated the following:

The reason I only requested a 15% increase was because that's all I thought I could from the language below. Can I put in my request to get all two bedroom units up to \$1300 over two years or do I do this again in 2023?

No landlord can increase a tenant's rent more than 15% in one year, though justified increases beyond that limit can be deferred to subsequent years.

Trust Deed just means the seller was a trust. Iron Range is the owner.

No delinquent taxes & transfer entered

Apr 27, 2022 10:13 AM

Ramsey County, Minnesota
Heather L. Bestler
County Auditor and Treasurer



Doc No T02730705

Certified, filed and/or recorded on
Apr 27, 2022 10:13 AM

Office of the Registrar of Titles
Ramsey County, Minnesota
Todd J. Uecker, Registrar of Titles
Heather L. Bestler, County Auditor and Treasurer

Deputy 714
CRV# 1400197

Pkg ID 1520798M

| | |
|-----------------------------------|-------------------|
| County Conservation Fee | \$5.00 |
| Document Recording Fee Torrens | \$46.00 |
| Environmental Response Fund .0001 | \$132.00 |
| State Deed Tax .0033 | \$4,356.00 |
| Document Total | \$4,539.00 |

Existing Certs

588559

New Certs

645307

STATE OF MINNESOTA

COUNTY OF RAMSEY

CERTIFICATE OF EXAMINER OF TITLES

for Deed by Trustee

To: Registrar of Titles

Re: Certificate of Title: 588559

Pursuant to Minn. Stat. 508.62 **and upon the prior recording of the following:**

- Certificate of Trust
- Affidavit of Trustee

I certify that the Trustee's Deed dated April 11, 2022,

in favor of Iron Range Holdings, LLC

is executed in accordance with a power evidenced in the Certificate of Trust and may be received in connection with the interest of the Trustee in the land described in the Certificate of Title when accepted for recording.

You are also directed to omit the following memorials which no longer encumber the property pursuant to Minn. Stat. §541.03: 619183, 619184, 912532, and 1133379.

WAYNE D. ANDERSON, EXAMINER OF TITLES

_____/Signed/
Wayne D. Anderson

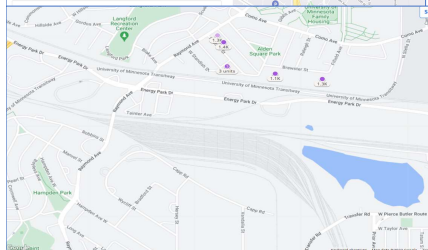
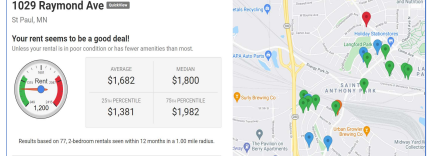
DATED: April 18, 2022

If checked, this approval is limited to interests which appeared on the Certificate of Title through the date _____ on which the last document number was _____. If this approval conflicts with later-recorded interests, you should Reject this approval.

This document was issued electronically. It does not bear an original pen-and-ink signature. It does not bear the green stamp from the Examiner of Titles. It is acceptable for recording in electronic or plain paper format.

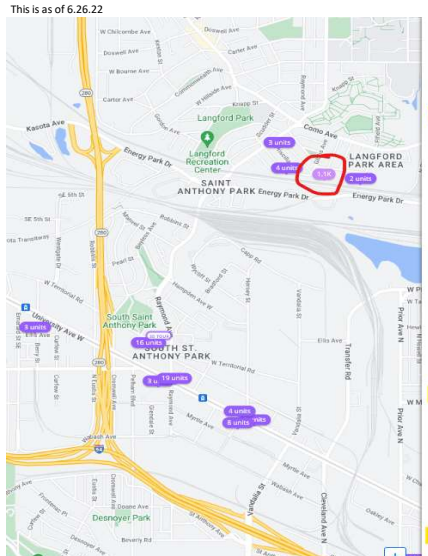
This Certificate should be recorded with the Deed for no additional recording fee and should not be assigned a separate document number. If you have questions about authenticity or procedure, call the Examiner of Titles.

| Invested Amounts | Units | | Inherited | | With +15% | | With +15%, \$1.3k max |
|-------------------------|---------------------|--------------|----------------|---------------|---------------|------|-----------------------|
| | | | (no incr) 2022 | 2023 | 2022 | 2023 | |
| 2/28/2022 | 50,000 | 1 2 BR | 940 | 1,081 | 1,243 | | |
| 4/1/2022 | 50,000 | 2 2 BR | 950 | 1,093 | 1,256 | | |
| 4/7/2022 | 55,000 | 3 2 BR | 945 | 1,087 | 1,250 | | |
| 4/8/2022 | 42,949 | 4 1BR | 985* | 985* | 1,000 | | |
| 4/11/2022 | 35,500 | 5 2 BR | 945 | 1,087 | 1,250 | | |
| 4/15/2022 | 15,946 | 6 2 BR | 995 | 1,144 | 1,300 | | |
| | | 7 2 BR | 975 | 1,121 | 1,289 | | |
| | | 8 2 BR | 1,045 | 1,202 | 1,300 | | |
| | | 9 2 BR | 975 | 1,121 | 1,289 | | |
| | | 10 2 BR | 975 | 1,121 | 1,289 | | |
| | | 11 2 BR | 1,105 | 1,271 | 1,300 | | |
| | | 12 2 BR | 975 | 1,121 | 1,289 | | |
| | | Total | 11,810 | 13,434 | 15,087 | | |
| Market = \$1,300 | Avg 2BR Rent | | \$984 | \$1,132 | \$1,278 | | |

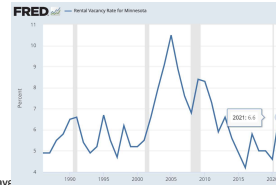


This is a Zillow 2BR rental search in the neighborhood as of 5/31/22. I would note that all of these units are considerably smaller than the 2BR units at Raymond (900sqft+)
 Average Rent: \$1,288 (\$889, 23% discount to occupied unit avg rents)
 Average SQFT: 774 (about ~20-25% smaller)

Sustainable 2BR rents are needed the St. Anthony Park neighborhood!! The lower priced options I saw on 5/31 are all gone now.
 The red circle is a 1bedroom mislabeled
 This is as of 6.26.22

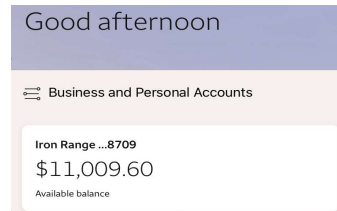


| Monthly | 2020 | 2021 | Inherited | | With +15% | | \$1.3k max |
|--------------------|---------------|---------------|----------------|---------------|---------------|------|---|
| | | | (no incr) 2022 | 2023 | 2022 | 2023 | |
| Gross Rent | | | 11,810 | 13,434 | 15,057 | | |
| Vacancy (6.6%) | | | -779 | -887 | -994 | | Fed Reserve Economic Data-----> |
| Net Rent | 11,253 | 11,110 | 11,031 | 12,547 | 14,063 | | |
| Advertising | 23 | 34 | 20 | 20 | 20 | | average of 2020 and 2021 |
| Cleaning/Maint. | 70 | 126 | 100 | 100 | 100 | | 100 discussed with cleaner |
| Gas/Electric | 382 | 401 | 150 | 150 | 150 | | 150 we will start billing nat gas back to units |
| Insurance | 423 | 489 | 388 | 388 | 388 | | 388 we got better pricing |
| Lawn | 122 | 101 | 120 | 120 | 120 | | 120 current rates from Rogers Lawn and Snow, avg |
| Mgmt Fees | 879 | 879 | - | - | - | | - self managing to control costs |
| Taxes | 2,147 | 2,267 | 2,351 | 2,351 | 2,351 | | 2022 taxes and same yr over yr growth rate for 2023. Both 2021 and 2022 taxes are assessed higher than the building purchase price. |
| Repairs/Maint. | 544 | 3,360 | 2,400 | 2,400 | 2,400 | | 200/unit/month average - based on our experience |
| Snow Removal | 157 | 159 | 191 | 191 | 191 | | 191 current rates from Rogers Lawn and Snow, averaged over 12 months |
| Trash | 199 | 239 | 180 | 180 | 180 | | 180 \$264 is average of last 2 bills. We are quoting this out but expect to land around \$180 |
| Water/Sewer | 372 | 357 | - | - | - | | - we will start billing units for water |
| Misc | 8 | 12 | 50 | 50 | 50 | | 50 average of 2020 and 2021 |
| Expenses | 5,325 | 8,423 | 5,950 | 5,950 | 5,950 | | decrease in expenses coming from mainly self management |
| Principal/Interest | - | - | 6,890 | 6,890 | 6,890 | | |
| Net | 5,928 | 2,688 | (1,809) | (293) | 1,223 | | |
| ROI | | | -9% | -1% | 6% | | |



1. Construction Budget
2. Source of Funds

Renovation Budget - When we initially put this list together, we were on an expedited closing schedule. We did not have time to get quotes for all of these line items, so we relied on a mix of quotes, past costs provided by the property manager, renovation costs at our other buildings, and my father's 40+ years of construction experience.



| Renovation Budget (costs include installation) | | 120,021 | We expect the repairs to occur over three years or about \$40k/year. We've already spent \$18k and have \$11k saved up. The rest of the \$ for this year's renovations will be through our savings. |
|--|----|---------|---|
| Cabinets | 7 | 1,000 | 7,000 <i>in 7 of the units the kitchens were in disrepair, specific units below</i> |
| Countertops | 7 | 500 | 3,500 <i>in 7 of the units the kitchens were in disrepair, specific units below</i> |
| Closet Doors | 35 | 225 | 7,875 <i>2 double doors and one single door per 7 unrenovated units</i> |
| Bedroom Carpet | 7 | 2,000 | 14,000 <i>in 7 of the units the bedrooms were in disrepair</i> |
| Fridge/Stoves | 2 | 2,000 | 4,000 <i>3 units need upgraded fridges/stoves</i> |
| Dishwashers | 11 | 1,100 | 12,100 <i>We anticipate adding dishwashers to every unit assuming the tenant wants one</i> |
| Flooring | 7 | 4,000 | 28,000 <i>\$4k = \$5/sqft installed x 800 sqft units</i> |
| Hardware | | 3,000 | 3,000 <i>Miscellaneous construction costs needed for cabinets/countertops/closets</i> |
| Demo + Dumpster | 7 | 750 | 5,250 <i>Needed for construction</i> |
| Complete Reno of Unit 4 | | 18,351 | 18,351 <i>Spent</i> |
| Overages/Misc (such as paint, etc; 20%) | | | 16,945 |

| Unit # | Renovated | |
|-------------------|--------------|----------------|
| Unit 1 | No | 10,904 |
| Unit 2 | No | 10,904 |
| Unit 3 | No | 10,904 |
| Unit 4 | We Renovated | 18,351 |
| Unit 5 | No | 10,904 |
| Unit 6 | No | 10,904 |
| Unit 7 | Yes | 1,100 |
| Unit 8 | Yes | 1,100 |
| Unit 9 | Semi | 1,100 |
| Unit 10 | No | 10,904 |
| Unit 11 | Yes | 1,100 |
| Unit 12 | No | 14,904 |
| All Units/General | NA | 16,945 |
| Total | | 120,021 |

These costs would only occur as tenants moved out and we had the ability to do longer term projects in the units. We anticipate doing the renovation over ~3 years depending on current tenants' desires for amenities (like a dishwasher), urgency of the repairs needed that were identified by my father and I during our walk through, and unit availability (when tenants move out).

| Current costs incurred/paid so far include (excluding maintenance): | April 15-June 21 | Sub Total | Applicable Units |
|---|------------------|-----------|---|
| New washers and dryers for all resident use | -2,872 | | This is for all tenants' use |
| Appliances payment #2 ^^ Wash/Dry | -3,300 | | This is for all tenants' use |
| Appliances repair fee | -199 | -6,371 | This is for all tenants' use |
| REMODEL Starting \$ - DEPOSITED OR CASHED CHECK # 1002 | -6,500 | | This is for Unit #4 |
| REMODEL payment #2 | -3,000 | | This is for Unit #4 |
| REMODEL payment #3 | -1,490 | | This is for Unit #4 |
| Remodel management fee | -990 | -11,980 | This is for Unit #4 |
| Total spent thus far | -18,351 | | This is for Unit #4 |
| | | | 15% of our original construction budget |

We've added roughly \$6.4k of common area, brand new appliances.
We've upgraded a unit which was neglected to a place where people can have pride living there. \$12k investment.

Pictures of new unit (before/after):



- Cabinets----->
- Flooring----->
- New fridge----->
- New, full sized stove->
- Added dishwasher--->
- Added microwave--->
- Paint----->



Section XXB & C in MNOI worksheet

B. Exceptional Circumstances in the Base Year. The gross income during the base year was disproportionately low due to exceptional circumstances. In such instances, adjustments may be made in calculating base year gross rental income consistent with the purpose of analyzing base year net operating income. Check which factor(s) contributed to your claim:

- (i) The gross income during the base year was lower than it might have been because some residents were charged reduced rent.
- (ii) The gross income during the base year was significantly lower than normal because of the destruction of the premises and/or temporary relocation for construction or repairs.
- (iii) The pattern of rent increases in the years prior to the base year were less than increases in the CPI.
- (iv) Base year rents were disproportionately low in comparison to the base year rents of comparable rental units in the City of Saint Paul.
- (v) Other exceptional circumstances

[Petitioners submitting a claim based on this factor may be required to pay for an independent appraisal by an appraiser approved by the City].

C. Explanation for Basis in Support of Claim for Adjustment of Base Year Rent.

A passive, hands off heir inherited a building debt free. For that reason the building was run poorly. No rent increases, vacancy, general mismanagement due to no debt costs.

- i. I have provided extensive market data on the Rate of Return tab. Also there was a unit vacant.
 - ii. I provided photos of what the vacant unit looked like. Other unit/garage photos----->
 - iii. The 2020 to 2021 rent actually went down year-over-year. Soecific amounts below (does not include late fees, etc)
- | | | | | | |
|------|-----------|------|-----------|-----------------------|-----|
| 2020 | \$133,798 | 2021 | \$132,630 | Year-over-year (+/-): | -1% |
|------|-----------|------|-----------|-----------------------|-----|
- iv: See Tab "2. Rate of Return" photos; cells A17:N85
 - v: **My dad had a St Paul two bedroom apartment for \$975 (with roommates) when he was in tech school in 1976. Our average 2 bedroom is \$986 currently, \$11 more 46 years later.**

C. The seller was a trust per the deed. The selling agent told me the building was owned free and clear. She said there was room to increase rents as the property manager didn't optimize for highest rents, only vacancy, since the property management company only charged a fraction of what they typically do. They did the bare minimum to limit time on a less-income producing building for them.



Extreme grim along the baseboards in apartment

