



October 18, 2022

TO: St. Paul City Council

Re: Rent Stabilization Appeals: Katherine Banbury, Cambric Apartments, 720 7th St. E.#330
Hannah Gray, Union Flats Apartments, 787 Hampden Ave. #213
Request that City Council direct DSI to investigate and enforce the ordinance on all units
at the Cambric Apartments

**Katherine Banbury and all Cambric residents are entitled to a rent increase reduction
under their current leases to only 6.1%.**

The landlord, a partnership controlled by Dominion, self-certified under the Rent Stabilization rules to an 8% rent increase. Their justification was, in part, that they were entitled to adjust their base year Net Operating Income (NOI) to one based on rents for allegedly “comparable” market rate apartments. This would have given them permission for a much larger rent increase. This would have been an absurd result, given that the project received more than \$15 million in public subsidies to assure that rents limited under the federal Low Income Housing Tax Credit (LIHTC) program would provide a reasonable return on investment. The Hearing Office correctly rejected this argument and recommended approval of the staff finding that the MNOI worksheet submitted by Dominion showed that a rent increase of no more than 6.1% was permissible.

The MNOI worksheet calculated a 6.1% rent increase justified for the entire building.. The rent increases of every resident therefore exceeded what is permitted under the ordinance. The DSI has been tasked with enforcing the ordinance. The City Council should, therefore, direct them to investigate to determine whether all rent increases imposed subsequent to the effective date of the ordinance exceed the 6.1% that is justified and then order a reduction, for the current lease term, in all of Cambric rent increases violating the ordinance and rules.

Additionally, note that, while we have found no obvious error in the staff finding that the 8% Dominion increase is justified by the Union Flats MNOI worksheet, Dominion made the same argument regarding use of market rate rents in adjusting base year NOI. The Council’s findings in these two matters should adopt the Hearing Officer’s finding in the Cambric case that there is no justification for such a position.

Should there be any lingering doubt that the Ordinance is somehow causing Dominion financial difficulties, note that last year’s NOI for the project, as reported by Dominion dramatically exceeds that in the 15 year cash flow projections submitted to the City in 2019 as final justification for its award of tax credits. The projections show a steadily increasing NOI with a year 15 figure of \$784,578. Dominion’s own MNOI worksheet calculations show a NOI of \$879,016 in 2021. Dominion’s rents before the increase were already showing returns far exceeding what they represented to the City as reasonable only a few years ago.

Jack Cann, Attorney
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Dedicated to expanding and preserving the supply of affordable housing in Minnesota and nationwide

Dated October 18, 2022

A handwritten signature in black ink, appearing to read 'Jack Cann', with a long horizontal flourish extending to the right.

Jack Cann
Attorney for Ms. Banbury and Ms. Gray