First, we meet the findings of the ordinance...

- The findings of Chapter 193A finds that:
  - "residential Tenants suffer great and serious hardship when forced to move from their homes"
    - affordable housing already has tenant protections under our agreements, we can only evict for just cause, we cannot just choose not to renew their leases, once they move into capital-A affordable housing they are protected. Ms. Gray and Ms. Banbury have been protected since they moved into our Affordable housing.
  - Chapter 193A also finds That "the community is impacted by housing instability when rent increases outpace incomes,"
    - Cambric and Union Flats are controlled by a recorded regulatory agreement that limits rents to income growth in the area, our affordable rents are only allowed to go up in incomes go up.
  - Lastly Chapter 193A finds that "the welfare of all persons who live, work, or own property in the City of Saint Paul depends in part on ensuring that Saint Paul residents have access to affordable housing."
    - Ms. Banbury and Ms. Gray, and all other tenants at Cambric and Union Flats live in luxury quality affordable housing and rents several hundred dollars below market rents.
  - Section 42 housing, which both Cambric and Union Flats are, were designed, built, and financed exactly to provide new affordable housing where rents are determined by incomes; our rents programmatically "increase with incomes" of the area as determined by HUD, following the ordinance findings.

- Further, Chapter 193A and the rules issued by the City provides that owners of apartments are entitled to a "reasonable" and "fair" return on investment
  - Following our legally binding agreements for Affordable housing subject to rent and income restrictions as well as tenant just cause protections would be "Fair" and "Reasonable"
  - We believe it is both fair and reasonable is to honor our agreements, which follow the findings of Chapter 193A as described earlier.

- The ordinance cannot possibly consider the various nuances and agreements in place, including existing rent-controlled apartments subject to complex regulatory agreements, which is why it provided for the rule making process and exceptions to be considered in exceptional circumstances.

Second, as the staff report confirms we followed the rules the City published and filled out the MNOI form correctly.

- The rules and MNOI form provide for exceptions to adjust base year rents.
- Per the rules the base year is either 2019 or the year the building enters the marketplace.
- Further, the final rules state that if there are exceptional circumstances in the base year, adjustments can be made. The MNOI form, which staff confirms we correctly filled out, includes 5 different exceptions for Base Year rents, we meet 3 of the 5 exceptions
    - (1) "gross income during the base year was lower than it might have been because some residents were charged reduced rents"—Ms. Banbury and Ms. Gray were charged rents several hundred dollars below market
    - (2) "base year rents were disproportionally low in comparison to the base year rents of comparable rental units in the City of Saint Paul"—our Affordable rents are significantly lower than comparable units in St. Paul
    - (3) "other exceptional circumstances"—we are existing rent controlled affordable housing with in-place tenant protections pursuant to legally binding regulatory agreements with the City, our existing affordable housing agreements are exceptional and something that the vast majority of rental apartments in St. Paul do not have

- While staff says we are comparing apples to oranges, we must compare apples to oranges due to the exceptional circumstances I mentioned and to honor the existing agreements and provide for a means to transition at some point in the future from our tax-credit LURA to a market rate apartment building. If the base year is not adjusted to reflect those exceptional circumstances, we would never be able to convert the property to then market rents ever in the future—that is neither fair nor reasonable and not what the City agreed to in its contract with us.
- It is important to note that almost every 30-year-old apartment is "affordable," so when I describe market rate, I am referring to the market rents for a comparable 30-year-old property. A recent Freddie Mac study found the vast majority of LIHTC units remain affordable even as they exit the program. "A fear has been that LIHTC properties would simply jack up rents to the top of the market at the expiration of their rent and income restrictions, generally about 30 years, but that's not usually the case," said Steve Guggenmos, vice president of Research & Modeling for Freddie Mac Multifamily. In their analysis, over 87% of developments created through the LIHTC program continue to provide affordable rent levels at or below the HUD rent levels for the area served.
- Per the rules and MNOI forms we would be entitled to a rent increase greater than 15%, but we would be limited to 15% under the rules, our affordable housing agreements with the City would further limit the rent increase to 11.89%--we chose to self-certify and even further limit to an 8% increase, well below the 15% maximum allowed. Again, we have followed the rules and forms.
- 100% of our residents, including both Ms. Banbury and Ms. Gray, were charged below market rent-restricted rents. There is no disputing that from the appellant.
- As staff pointed out our current application, as adjusted for the exceptional circumstances, per the rules we would create the new baseline for future increases and going forward the apples-to-apples comparison would be completed after making the required adjustments.
- Lastly, I would like to dispute a few things from the staff report—
    - One. Staff states that are no rules for adjusting current year rent, but there are clear rules for adjusting our base year rents and what our allowed rent increases would be,

which we did correctly. Staff is correct that we adjusted base year, as the form instructs, due to our clear exception.

- Two. Staff also states the rules are "attempting to make an apples-to-apples comparison between base year and current year," I disagree with that point as the rules clearly allow for base year to be adjusted for exceptional circumstances. Again, we followed the rules, the MNOI worksheet and the ordinance.

To close, I fully agree with staff that we per their staff report, have the "right to a reasonable return on investment not only right now but for the future of our property." We also have clearly followed the rules and ordinance as staff affirmed. The appeal has no grounds and must be rejected so our form can be accepted as submitted and we can follow the terms of our affordable housing regulatory agreements, which not only meet the findings of the Ordinance but follow the final rules and MNOI forms published by the City.

At the end of the day, we own and operate a rent-controlled affordable housing community with rents significantly below market. We are following the ordinance and we are following the rules. Our reasonable return is to follow the rent-restrictions that are currently in place under the LURA until and if they expire. Once they expire our reasonable return would be a then market rent like any other apartment community in St. Paul not subject to affordable housing restrictions with the City and Federal Government.