

Union Flats – Dominion Follow-up Conversation for MNOI Worksheet

Demetrius Sass, Lynne Ferkinhoff, and Angie Wiese (City – DSI) met on Wednesday, August 17, 2022 at 10:30am to review the two MNOI worksheets related to the Rent Stabilization Ordinance Appeals for Union Flats and The Cambric. The Dominion representatives were Rachel Jameson and Owen Metz. We only got through the Union Flats MNOI worksheet in that hour and scheduled Cambric for a later date.

Dominium used a base year of 2020 since the building was not fully occupied in 2019. DSI agrees that this is a reasonable interpretation of the rules for utilizing the MNOI worksheet. There are fees labeled early lease term. This is income related to residents who want to exit their lease early (break their lease).

Tenants pay all utilities except water, sewer, trash. Satellite service is provided communally, and residents can opt-in to the service.

We discussed the income for base year utilities should be actual, not theoretical. Even though the building was still in the process of being fully occupied, presumably, the utility usage matched the occupancy. Dominion's follow-up documentation addresses this.

DSI asked why there is a credit on expenses for line 3. Dominion got back to us that this was from the return of a bond for work completed.

Cambric – Dominion Follow-up Conversation for MNOI Worksheet

Demetrius Sass, Lynne Ferkinhoff, and Angie Wiese (City – DSI) met on Thursday, August 25, 2022 at 9:00am to review the two MNOI worksheets related to the Rent Stabilization Ordinance Appeals for The Cambric. The Dominion representatives were Rachel Jameson and Owen Metz.

Given our previous meeting, Dominion provided adjusted MNOI worksheets in Excel format to address the same questions we had in our previous meeting for Union Flats. One notable change is how the storage and parking income is shown. The overall numbers do not change, however.

This building is a bit older and has some capital improvement projects listed. These do not amount to a large increase in the monthly rent.

There was a lengthy discussion on the actual rent collected versus comparable rents in the area for non-Section 42 buildings. The rules state that base year can be adjusted for exceptional circumstances. In this way, DSI believes Dominion filled out the form for exceptional circumstances, as written. There is no provision in the rules for adjusting the current year. Therefore, Dominion, applied the comparable rent model to base year but not current year.

Staff believes this poses two issues as the rules are written.

1. The rules are attempting to make an apples-to-apples comparison between base year and current year. When it is talking about exceptional circumstances, they are exceptional to that year, not all years. Therefore, in Dominion's calculation, the income in base year is inflated for comparable units but the current year utilizes actual income. DSI does not believe this is an apples-to-apples comparison.

2. Once a determination is made, the rules state: "In the event that a determination of the allowable Rent is made pursuant to this section, if a subsequent petition is filed, the Base Year shall be the year that was considered as the "current year" in the prior petition." This means that in a future petition, the base year will be the actual income, not an inflation noting comparable rents.

Dominium has a right to a reasonable return on investment not only right now but for the future of their property. DSI believes the current rules assume a reasonable return on investment now equates to one for the life of the property. Dominion has a different opinion though DSI will refrain from presenting their rationale.