CITY OF SAINT PAUL
OFFICE OF THE CITY COUNCIL
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Marcia Moermond, Legislative Hearing Officer
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October 13, 2022

Jack Cann
Housing Justice Center
275 4th St E., Suite 590
St Paul, MN 55101

VIA EMAIL: jcann@hjcmn.org

Hannah Gray
787 Hampden Avenue North, #213
Saint Paul, MN, 55105

VIA EMAIL: hhgray@gmail.com

Re: Rent Control Appeal of Jack Cann, on behalf of tenant Hannah Gray for property at 787 Hampden Avenue North #213 (Union Flats)

Dear Mr. Cann and Ms. Gray:

The Legislative Hearing Office received your appeal of the proposed rent increase for this apartment unit on June 27, 2022. To summarize, Dominium, the property owner, provided the appellant, tenant Hannah Gray a lease on June 1, 2022 for July 1, 2022 through June 30, 3023, which included an 8% increase in rent. This represents an increase of $89 per month, or an increase from $1,114 to $1,203 in monthly rent. Dominium sought and was granted an exception to the 3% cap specified in the Saint Paul Legislative Code Chapter 193A Residential Rent Stabilization. Whether or not this exception to the cap should have been made is the sole issue of this appeal. The increase in rent was stayed during the appeal process.

In order to carefully consider this matter, lengthy Legislative Hearings were conducted on July 19 and again on September 15, 2022. Department of Safety and Inspection (DSI) staff also conducted an audit of Dominium's application and met with the owner/representative to clarify information. There is extensive correspondence and financial analysis of the basis for the increase and these documents are a part of the record in front of the Council. What follows are my findings and recommendation for the City Council to consider in the appeal.

FINDINGS:

- May 27, 2022 DSI received an application from Dominium for an exception to the 3% rent cap for this building, including this unit. Dominium requested and was approved an 8% increase using the City's self-certification process.
- The reasons listed in Dominium's application for an exception to the rent cap of 3% were an unavoidable increase in operating expenses, a decrease in rental income and a pattern of recent rent increases or decreases.
- When this appeal was filed on this self-certified rent cap exception, the Hearing Officer requested DSI staff to audit (conduct a staff review) the application and work with the owner to get the supporting materials for review and analysis. Notably, the rules DSI uses for implementing the ordinance provide that applications for an exception to the 3% cap which fall between 3% and 8%

may be done using a self-certification process. In this process, the owner is responsible for preparing the required supporting documentation for the increase, but that documentation does not need to be provided to the City unless the application/intake form is audited.

- DSI staff describe the intake form in this way – the intake form asks applicants to enter three pieces of information from the Maintenance of Net Operating Income (MNOI) worksheet: (1) income adjusted by CPI; (2) allowable rent increase; and (3) allowable increase unit per month. The premise of MNOI is that an owner is entitled to the same rate of return on investment in the current year as they received in the base year. This premise assumes there is some profit margin attained that is allowed to remain. As part of the self-certification process, the applicant received a confirmation email including their determination letter and a fillable flier for tenant notification.
- Under the DSI Rules, the base year for calculating allowable rent increases in the MNOI is 2019. However, as Union Flats was not fully occupied in 2019, DSI determined that 2020 should be used as the base year, which is permitted under the DSI Rules.
- Using the 2020 base year, DSI staff reported that their analysis of the MNOI for this property in this time period would allow for Dominium to ask for and receive an exception to the rent cap and charge 9.36% rent increase. This is based on 4.84% CPI combined with 4.52% increase in operating expenses.
- Dominium described an alternative means of analyzing the financial information which would have yielded a much larger potential rent increase than staff's conclusion of 9.36%. However, Dominium only applied for an exception to the rent cap allowing for an 8% rent increase. The information reviewed by staff support the 8% exception. Further analysis of Dominium's calculations is not necessary to resolve this appeal.
- Notably, Mr. Cann indicated in the hearing that based on the numbers presented by Dominium they did appear to be entitled to the 8% increase, noting the implicit assumption that the numbers provided were accurate. However, he did differ significantly with Dominium's statements that a larger increase could have been calculated.

RECOMMENDATION:

The Legislative Hearing Officer's recommendation to the City Council is to deny the appeal, thus allowing the 8% rent increase, noting the conditions required for this exception to the rent cap at this level have been met by the owner.

COUNCIL PUBLIC HEARING:

Confirming earlier correspondence, the City Council's public hearing to consider the findings and recommendation for this appeal: this matter will go before the City Council at Public Hearing on **Wednesday, October 19, 2022 at 3:30 pm. in room 300 City Hall.** If you are contesting the recommendation you may appear in person or send written testimony to be added to the record to rentappeals@ci.stpaul.mn.us or by voicemail at 651-266-6805. **Should you wish to address Council directly but not appear in person, you must register in person by noon on Tuesday, October 18, 2022 here:** https://www.stpaul.gov/department/city-council/city-council-public-hearing-live-testimony**.**

If you have any questions, please contact the Rent Stabilization Appeals Executive Assistant Sonia Romero at 651-266-8568 or email rentappeals@ci.stpaul.mn.us

Sincerely,
/s/
Marcia Moermond
Legislative Hearing Officer

c: Rent Stabilization Staff
Tammera Diehm, Winthrop & Weinstine, VIA EMAIL: tdiehm@winthrop.com
Owen Metz, Dominium, VIA EMAIL: ometz@dominiuminc.com

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