15 West Kellogg Blvd.
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City of Saint Paul

Minutes - Final

Rent Stabilization Appeal Hearings

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Tuesday, June 28, 2022 **3:00 PM** **Room 330 City Hall & Court House**

1 **RLH RSA 22-1** Appeal of Matthew & Jim Lindquist to a Rent Stabilization Determination at 1029 RAYMOND AVENUE.

Sponsors: Jalali

PO to submit tenant lease renewal schedule by COB July 13. Recommendation forthcoming.

Matt Lindquist, owner, appeared via phone
Jim Lindquist, owner, appeared
Jerad Rasmussen, owner representative, appeared

Rent Stabilization Staff: Lynn Ferkinhoff

Moermond: I was hoping you would walk through some of the information, highlight it, and I have a couple of questions I'm guessing you will clear up. The first thing was we are good on the title information now. I did talk to the recorder's office and they aren't sure why it is appearing the way it is but there is no question the trust did a complete transfer of it. That is squared away. That is taken care of. Speak to the anticipated rate of return for 2022 with and without rent increase.

Matt Lindquist: tab 2, rate of return, columns L and M— the invested amount on the far left indicates the cash amounts put into the building for the down payment and transaction fees. The table to the right shows the units numbered 1 through 12, the unit types, the inherited lease amounts. I would note unit 4 was vacant at acquisition and has been vacant for quite some time given its condition. The with 15% shows 2022, but it's a general rent roll. Everything goes up with the exception of the one bedroom, which stays flat. $11,810. The average 2 bedroom would be $984. The two bedrooms would be $1,130ish.

Moermond: the 2023 column, I wanted to double check some numbers. For unit 4 it looks like your proposed increase from 2022 to 2023 is 1.5%, $985 to $1,000.

Matt Lindquist: yes, that's the exception. Given the size of the unit I don't think we'll exceed $1,000 for a 2023 rent figure. I have no intention of being unfair and trying to price these things above market. I think $1,300 based on the market information I sent to you before, the Rent-o-meter report, the Zillow listing as of our first meeting, and the end of June table below, shows where I think the market is putting our units.

Moermond: so units 8 and 11 between 2022 and 2023 move up to the cap of $1,300.

That's not a full 15% increase.

Matt Lindquist: and unit 6.

Moermond: got it. I wanted to confirm that was where you were at with those numbers. Please continue.
Matt Lindquist: the table to the right you see a profit and less statement on a monthly basis for the years 2020 and 2021. That was information provided by the seller. I used the same line items in the same order. The 2022 number shows the inherited leases, the 1180 of gross rent matches the no rent increase in 2022. The reason there is a vacancy there is based on FRED data. I couldn't find anything more specific than that, so I used the federal reserve rates. It has unit 4 vacant which is far more than the number in this column. Then we see the reasonable expected line items. Miscellaneous dues and fees for previous seller, advertising, tax prep fees, legal fees.

Moermond: the listing of expenses doesn't include an expense that showed up in the income statement consolidated as part of your appeal. That is the payments to the Winter trust in 2020 and 2021, prorated monthly. Is that an oversight? As those trust payments go, your principle and interest payments are kicking in. They aren't apples and apples; they are different kinds of expenses that both should be reflected in that.
Matt Lindquist: from my understanding the Winter family inherited this building due to the passing of the parents. It was owned free and clear so they didn't have principle and interest payment, which is why you see zero dollars for 2020 and 2022. There are management fees in 2020 and 2021. They had a property management company, which is why you see management fees in 2020 and 2021 and not 2022 and after. We are coordinating to self-manage. I wouldn't consider the Winter trust payments an expense, more an owner draw.

Moermond: that's where I was coming from with it too and yet they showed it as an expense on the income statement. $80,776 expense in 2021 and 2020. In your narrative you talked about "upon the building needing investment the son sold to us and owner earnings dropped from $81,000 in 20202 to $36,000 in 2021. So the entire amount paid to the trust in the expense column was considered profit taking in 2020 and part of it was in 2021. So that expense isn't in your table there. I wanted to ask if it was a reason it wasn't showing up. Certainly it isn't a continuing expense for you. It does have to do with the bottom line of month expenses.
Matt Lindquist: the same way I wouldn't put a payment to myself as an expense. I excluded that given I didn't view it as a real expense. If you take the net figures of the $5,928 and $2,688 multiplied by 12 you will get roughly what the Winter trust drew in those 2 years.

Moermond: it comes to me then that what is showing up as an expense in the income statement is more truly characterized as a return on investment, not an expense.

Matt Lindquist: correct. Agree 100 percent.

Moermond: any other comments on the table?

Matt Lindquist: the last comment I would add to the table is our return on investment can be found underneath the net line item. That would be the net times 12 to make it an annual return figure divided by the $249,395 invested amount found in the first table we discussed. Where these numbers came from in this table, from advertising down to miscellaneous, is lightly detailed to the right of said line item. Happy to answer questions if my shorthand was not clear.

Moermond: my questions are covered at the moment. Ms. Ferkinhoff any questions?

Ferkinhoff: no.

Matt Lindquist: the last comment is the 2023 column, to the right of the two 2022 columns, one with inherited gross rents and one with the plus 15% gross rents. The column to the right would show the $15,057 gross rent figure. Based on my experience doing this and the experience of my mentors we seem to think the market rent is around $1,300. That is a rate of return around 6% with our $15,057 rent. All of the two bedrooms are getting to the $1,3000 level in 2024. We hope to have everyone at the return of investment discussed in the initial hearing of around 8 percent in 2024. 2023 and 2024 are very small baby steps up.

Moermond: let's talk about construction statement. Will we be coming back to the discussion on comps? I ask because they are printed out on the same paper the tables are.

Matt Lindquist: we can circle back on comps. I think some of it is that we inherited a building with extremely low rents because someone didn't need to make a payment. Some of it also may be "Matt, you included a photo of a unit in this building before and after the fact, talk to us about the value you are creating." That's what I will do . The renovation budget was put together by my father who has 40 years construction expertise, many of which were in the metro. He has also been a property manager for the past 6 years or so.

Moermond: can I say these aren't actual bids but they are professional estimates on what it will cost on many years of experience.

Matt Lindquist: yes, due to the nature of the sale we were given limited access. The odds of us getting contractors in the building multiple times for bids was not possible. This is what we came up with so far. So far we're on track. 7 units need an average amount of work, dated and/or in severe disrepair. You typically include an overage with construction budgets. The units outlined below show whether or not the unit is considered renovated or whether we think it needs repairs. The ones that are not renovated it is doors, flooring, cabinets, counters you see above. For the ones we've renovated we have a picture showing wood grained cabinets, apartment sized range and old fridge. We included a stainless steel dishwasher, fridge, and range. We want people to enjoy where they live. The units we considered renovated, or semi-renovated, that $1,100 figure represents the dishwasher. None of the units have dishwashers. All units general amount is just that overages amount, which we can discuss more.

Moermond: is that things like laundry room and hallways?

Matt Lindquist: one of the things that came up and wasn't in our initial budget, was the washers and dryers are for common area use and the washers needed replacing. We had to pay additional renovation dollars for Speed Queen Commercial washing machines. Top of the line, which you pay for. So that's a general building cost. That is an example of what would be in that. Furnace breaking. Roof leaking. All units or whole building renovations.

Moermond: when I look at the repairs and read your notes, it sounds like you are picturing doing the renovation of the units when they become vacant. so when it turns over? Is that correct? Or are you thinking for some you can do it while it is occupied? I *ask that because of the timing when you experience those expenditures and I know the department asks amortization of the expenses. Talk me through that.*

Matt Lindquist: for the dishwashers, that is a relatively quick installation. So to the extent our tenants have shown interest, some have said they don't want to deal with it and then we will put it in when they move out. If there is a vacancy, yes, we would look at that unit and if we needed to call up the team and get them in for upgrades, I would say there is one unit that we gave notice to. These individual's lease is up the end of August. I think they actually broke their lease by completely destroying their unit. We won't be renewing and we will do extensive cleaning if not a complete overhaul of the unit. That $10,904 next to one of the un-renovated unit is probably lower than what it will turn out to be. Such is life.

Moermond: I want to speak back to our previous hearing where your approaching this on a pay as you go model rather than financing financial expenditures over time. You already have a mortgage, so by virtue of that you are paying over time. Is that how you are paying for this?

Matt Lindquist: yes, to the extent these expenses show up. We have roughly $120,000 of costs and we assume it will take 2 to 3 years. so roughly $40,000 a year. I am a saver; we don't have any kids and don't go too crazy on eating out. We finance a large down payment. The renovations will be funded through a combination of savings and spreading it out over time. I don't have $120,000 in an account today. I am sure I could get a construction loan or line of credit but I don't see the need. I run numbers like this as my job. I feel comfortable with cash flow to renovation costs and savings.

Ferkinhoff: I am curious how they are amortizing for some of these improvements? Or are they?

Moermond: are you amortizing rent increases based on---maybe how are you appreciating it maybe is a better way to put that.

Matt Lindquist: I have a small bit of accounting experience and from my understanding of the current tax laws, under the Tax Cuts and Jobs Act this allowed for 100 percent bonus depreciation under a certain limit. Some falls under this category. Some does not to the extent it does not it will be amortized over the useful life of the asset. It is probably a better question for a tax advisor. I could definitely call him in. As far as if we are including that in the rent, we think we could rent them today for $1,500 with no improvements necessary, less the one unit that is destroyed. We think the market rate is $1,300 to the extent we continue to add value. I would consider that as gravy to our tenants

Rasmussen: why are you asking that question?

Ferkinhoff: within the ordinance itself it allows certain improvements, like a refrigerator, have to be amortized over the useful life of the appliance. Once that amortization ends, the rent increase derived from that has to be backed off.

Moermond: it is in DSI rules for implementing the ordinance. Which is why I haven't followed through as deeply on the amortization question. I feel like I have some gray area but is why I was pushing "what is it you are doing with this?". They have a set of rules they are applying to applications that is uniform. I am often looking at appeals for things that don't exactly fit. That's how I see this amortization coming into the play. How much do I take into account your situation with this? Learning as much as I can *to sort through this.*

Rasmussen: you're saying to me that he does his taxes, and then you're saying he has to have a separate calculation in order to back down the rent increase.

Moermond: that is largely, but not exactly, how it is characterized in the rules. They do provide an amortization schedule in there for different types of things. The expectation is that capital investments do have a time horizon. Basically the replacement schedule. Is that taken into account? Yes. Is it a good fit for what we are talking about? Maybe, maybe not. You have a different situation with recently acquiring the building and your different investments.

Rasmussen: laws are what they are and then they will change. If we get this approved there are still tasks to be done to comply with these rules.

Moermond: if there is a follow up that is reviewed, I don't think it is in the ordinance as written right now. Is it written that the City will go back and check if something happened? There is a provision for auditing. If there are multiple applications over the years for rent increases, should those at some point be audited? Good question. Should previous applications for rent increase be reviewed as part of the newest application and look backwards? For me, that is logical. But that isn't in the ordinance right now. This is part of making the path forward. We don't have to worry about that now, we just have this current application. The audit would be part of the review of the application, not an audit in 2024 looking back at this grant of increase. I don't know we have the answer to that now. Right now it isn't in the plans. So we've talked about amortization. This is complicated, I'm going to let you continue.

Matt Lindquist: to the extent costs incurred so far, we've spent about 15% of our construction budget. This is in two buckets. The central use, that was the central use washer and dryers, $6,371. The remodel of unit 4 totaled $11,980 for a total expense of $18,351. I don't think we have fully captured the remodeling costs, the $12,000 is low but it is all we have from an invoice perspective and paid on a cash basis. There are pictures of what the unit could look like after renovation. You see the cabinets and the new countertop, new appliances, and a full range stove. Someone living in the unit to the right would be much happier who has carpet from 20 years ago. This shows the type of investment and service we are trying to provide. To continue to make these types of investments I don't think it is unreasonable to want to charge market rent. Let's look at the market rents information provided. Based on my research the average 2 bedroom apartment for rent in St. Paul is around $1,650. That is in line with the Rent-o-meter report of $1,682 for the St. Anthony park area. The average price there is obviously skewed from the number of new construction buildings I'm guessing your colleagues have allowed to be built. I have attached two screenshots of the types of properties going up around that area. Especially on University. The second picture included shows just the properties more in the St. Anthony park side of the tracks. Those units are all gone which shows the appetite of affordable, market rate places. I would also note those places are all smaller than our building and some don't have dishwashers. More expensive for a smaller space.

Moermond: I have a question; these are great numbers. I'm looking at 2022 rents, correct? In those comps?
Matt Lindquist: with the 15%?

Moermond: so these are current rent amounts you've provided as comps?

Matt Lindquist: oh, in the Zillow? Yes. They were pulled between May 31 and this past weekend.

Moermond: I am wrestling with this question: we have a base year calculation using 2019 as the base year for figuring out rent increases. In your case you didn't have figures for 2019 and they weren't provided to you. So there is an implicit ask in your appeal application that 2020 be used as the base year. Is that correct?

Matt Lindquist: sure, that's the closest data I had. Whether or not we want to use that—

Moermond: I'm satisfied using 2020 is acceptable for a base year instead of 2019 because you didn't own it and don't have those figures. Here's where I'm at with the comps issue. The ordinance speaks to increases from that base year and so I wanted to reverse engineer the rent increases the metro area has increases in the last couple of years. If the rent on a two bedroom apartment has been going up at 7% a year, for example, in 2022 I have a rent figure. What would that logically have looked like in your base year. Does that make sense? The one way to approach it is where were you and we're climbing up to come to a fair return on investment, versus I've pinned what I think is fair and I'm going to charge rents to bring it up to that. It is a different approach from the one characterized in the ordinance and the rules, which is the climbing up from what it would have been. That is a different sort of calculation. I don't have an answer to that question but I wanted to put that out there to see if you had comments off the top of your head. I know you included the Federal Reserve economic data. We could go with CPI. But I have a feeling rent increases have outstripped CPI in the last couple of years and that is probably a fair assessment.

Matt Lindquist: this is our first and only building in St. Paul. But I can give you 8 units of data from Northeast Minneapolis on the corner of Buchanan and Lowry and also Spring and Jefferson Street.

Moermond: It could be the City Housing staff has those figures and that we could communicate back to you.
Matt Lindquist: I'd love to share my take on this.

Moermond: please do. I wanted to say I'm factoring that into my analysis. I wanted to hear any comments you had on that. I didn't want it to be a surprise that that struck me when I was looking at them being current year comps, versus past year comps.

Ferkinhoff: I think you've phrased it correctly and it is an interesting question whether rent increases have outstripped CPI to get to the base of this. I agree that it appears current comp information but base year makes more sense.

Rasmussen: it feels like a game show. It just feels like we are guessing at the strategy to use to propose our strongest case. I am more of a checklist guy; tell me exactly what data you are looking for to create the strongest case.

Moermond: let me say to you that the MNOI worksheet asked for that information on the old rent that would have been in 2019 and it wasn't in here. I do have rent from 2022. It was a question asked here, it was blank, and that is fine because we can talk about it here and you don't have it from 2019 anyways. I wanted to bring it up. I don't want to say you were blindsided when it was in here.

Rasmussen: I'm not, I'm just saying, is the strategy here ROI is reasonable, now we *have comparable to some base year we don't have data on and now we're—*

Moermond: the answer to this question I believe would be to your advantage in the analysis. But I want to be transparent about how my thinking is working. I'm trying to not pull any punches in my questions. I was hearing confusion and I'm not trying to confuse you or make this worse. You are doing fine answering the questions I've provided and I have additional stuff I'm putting out there that has come up. It is interactive. I wish I could say yep, done. We may never be at that place. Square peg in round hole and all that. Thanks for your feedback on how that feels from the user's side, that is helpful. We're almost at the end of the information you've provided. Can you walk through your last couple of things here?

Matt Lindquist: the last photo on this page shows the dramatic number of new builds pricing everyone out. 2 bedrooms starting at $2,200. Even the places labeled the "$1,210+ two beds," that is actually for a studio in that building. As you can see it is a CGI space. All of them are over $2,000 if you include utilities and other costs to live there, pet fees, stuff like that. All of our rents over Covid we have held flat. It was a hard time for a lot of people. For our 8 units in Northeast Minneapolis we saw no meaningful increase, and actually about a 50% decrease in rent in from 2020 to 2022. I'm happy to provide those figures and leases if needed.

Moermond: if you would like to provide it I am happy to look at it. If you think it is beside the point you don't have to. There's no requirement.

Matt Lindquist: it reflects what the owners showed, which is that rent stayed roughly the same. It actually went down a bit from 2020 to 2021. We'd be showing the same data more or less, just adding a couple properties. It probably isn't a value add, and with your time the other data point I have, which brings us to the worksheet questions. The other data point we have for St. Paul rent is my Dad, and a couple he lived with rented a 2 bedroom apartment in St. Paul in 1976 and that apartment went for $975. We are 46 years later asking our 2 bedroom be closer to market rate instead of $10 more expensive on average.

Moermond: and I'm not going to, if I went and tried to find an apartment next to St. Thomas, or a whole house next to St. Thomas they are charging rent for every student at a high rate. So it is not quite the same thing. I don't even want to imagine doing an adjustment over time for the rent increase there.

Jim Lindquist: it was the Rice-Arlington area so it wasn't next to a college.

Moermond: thank you for sharing that.

Matt Lindquist: let's jump to section B, question I. This goes to why I thought the base year wasn't the most adequate fit. Gross income during the base year was lower than it might have been because some residents were charged a reduced rent. I think we've covered the comps and why we think market is around $1,300 though new construction exceeds $2,000 a month. Do you want to respond to my responses?

Moermond: the only comment I have is for item C "explanation for basis in support of claim for adjustment of base year rent". Your initial answer was a "passive hands-off heir inherited the building debt-free. For that reason the building was run poorly. No rent increases, vacancies, general mismanagement due to no debt costs." Your expansion upon that statement was "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 for *increased rents as the property manager didn't optimize for highest rents, only vacancies, 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." So the property management Kasota Leasing made that decision but if we look at what Winter Trust was pulling out, their return on investment was substantial, though they weren't investing in it, so we have much deferred maintenance and repairs from where you have your standards set. Not doing the repairs doing a lot more moneys into their pockets through the payments to the trust. When I think about your answer, I think about it in the context of Winter Trust.*

Matt Lindquist: I think that is a fair response. As an example, which isn't included in our renovation budget, we got in there and sent out a notice and were flooded with maintenance questions. Everything from smell, to air conditioning, to a leaking roof. All of those things aren't captured in the construction budget. I think roof leak is the quintessential repair on a rental property and it wasn't taken care of. We have patched those and we paid someone to do that. Had we not, maybe our dividend check at the end of the year would be more substantial.

Moermond: understood. Let's look at the photos you attached. Is that unit 4 I am looking at?

Matt Lindquist: this is unit 1. The unit 4 before photo was on the construction budget; that wood grain cabinet and small range. This a unit that would cost must more than unit 4 to replace. As you can tell from the fact our property inspector said he has never seen grime like this in 20 years.

Moermond: I've been doing this for 20 years and I saw grime like this an hour and a half ago. This is a big cleanup job and I totally respect you have work to do in this unit. I appreciate the photos. Some units will require more. Is this the one you've asked to be vacated and will be doing substantial rehab on?

Matt Lindquist: I don't think "asked to be vacated" is how I would put it. Their lease was up and despite them breaking the lease I allow them 60 days to locate a different place to live so we can begin updating this unit. As you can see in the photos there are a lot of boxes and trash bags. We would rather not have a pest problem on our hands, so we are going to clean up this unit to keep the building as pleasant as possible to live in. We just don't believe having excess food and trash across the floor is best living practices. So we didn't renew their lease. We aren't kicking them out and terminating their lease. We are just letting it expire.

Moermond: understood, thank you for that correction of phrasing. I have gone through my questions based on what you have provided. Ms. Ferkinhoff, any questions?

Ferkinhoff: no further comments.

Moermond: do you have any questions? Comments? We've talked a lot.

Rasmussen: I have a question about process.

Moermond: here's where we are going. I'm going to put this in front of Council on July 20. That means I need to have it clean, simple, put together, for them no later than July 13. In order to be fair for you, if you are not satisfied with my recommendation, I'd like you to have more than 7 days' notice. I'm going to try to have something out to you all at the end of next week. That is my goal, so you can look it over and decide *whether you want to prepare something for Council consideration or not. I want to put it in your hands with enough time so you aren't feeling like you need to rush. My experience tells me people do better when they can read through things and talk to other professionals. Hopefully my findings and recommendations in your hands by end of next week. Normally, the findings would be implicit in the minutes but I think we should draw them out in a memo. The recommendation will be in that letter as well in that resolution before Council. They do consider appeals under resolution. You can share information with Council in a number of ways. You can testify in person, you can send an email, write a letter, leave a voicemail that will be transcribed. We try to make it as easy as possible to participate. You can also participate the way you are now, by phone. They need to know by noon the Tuesday before your hearing. That's how I'm envisioning it.*

Rasmussen: they are trying to plan and give people proper notice. I was hoping today you were going to kind of give a percentage, like I'm leaning towards X. It sounds like we have to wait a week for that. You don't have any ability to say you're leaning towards this, and these are my concerns. You're going to do the analysis and email a report?

Moermond: I am most definitely going to do the analysis carefully first rather than giving you an off the cuff thought on this. I think that's the responsible thing to do. If another question comes up while I'm writing it up and I can have you respond. I want to make sure I am thinking through what I need to. I'm sorry I can't say yes, 14%, not 15%. I don't feel comfortable doing that now.

Matt Lindquist: to the extent I can put a request out there; I viewed this process initially as a one-time annual appeal. Can I please charge closer to market rents by going up to the allowed maximum of 15%? Through my second reading I actually interpret one of these sentences differently; where it says "no landlord can increase the tenant's rent more than 15% in one year. Though justified increases beyond that can be deferred to subsequent years." To the extent you want to see myself, my father, and Mr. Rasmussen again next year, to the extent we can request "can we get a 15% increase this year and next year" that would be appreciated to the extent you feel comfortable based on that $1,300 market figure I provided and felt I adequately supported.

Moermond: thank you for bringing that up. It did cross my mind when you were going over the information and proposing percentage increases from 2022 to 2023. The ordinance does provide for deferral of rent increases to subsequent years if you need it. A question I'm wresting with is the proper procedure to do that by. What makes the most sense. We talked earlier about multiple appeals. I think it is reasonable that you are looking at a couple of years here. I also think it's a reasonable to have a check in point to see where you are actually at with the investments and how things are progressing. Are you on plan with what you submitted so far, so you wouldn't have to do a new application, maybe just update the materials? Procedurally how should I do that? That I'm not sure of. I think reapplying sounds bureaucratic when you've gone through the paperwork you have. Maybe having DSI have a "tickler" file to reopen in April 2023 and set up another hearing. I could have Council send it back for me to look at. I think both could be granted at the same time but I'm not comfortable doing that with case number 1. I want to make the path as simple as I can but also try to have foresight about where things will end up being. Is that helping you? What you spelled out was helpful in how you envision things from 2022 to 2023.

Matt Lindquist: I would be happy to have more of an "ad hoc" type meeting. You brought up April. Given everything takes 60 days' notice, it would be helpful to have clarity in what a multi-year would look like. We'd be happy to provide construction *updates, before and after photos. If we can get all our units to the $1,300, if we don't spend $100,000 of our construction budget plus the 20% of overages, don't grant us the increases but I have a feeling we will exceed that figure does not fall short, unfortunately.*

Moermond: if we were to look at this again next year. You purchased April 11 and made application for the rent increase May 18. So the timing for reviewing your ask for another 15% increase would that best be a conversation in May?

Matt Lindquist: if you were to say as "patient zero" you get one genie wish, I would ask the genie for a decision made by February 28, 2023. Why? Because that would give us a month or so to figure out where the market is, touch base with our tenants to see if they want to stay, work though that. That is both best business practice, because I want tenants to be happy, but also one month of vacancy is expensive. To the extent we can save that money by keeping them on it may be a lower increase than anticipated, that makes me happy. It allows us a month to work with our tenants before needing to give them proper notice the end of March.

Moermond: proper notice for rent increase is on what date in 2023?

Matt Lindquist: it would be June 1, which means we would need to give 60 days' notice prior to June 1 of any sort of increase or renewal conversation. We would hope to have a decision the end of February so we could have March 1 through the end of March to work out what a renewal could look like. It could be 12 people, assuming we rent out Unit 4 by then. Well, 12 units, around 23 people, if they plan on renewing and what the terms of that look like.

Moermond: and I'll consider that. If the Council grants a rent increase exemption above the 3%, the effective date for the tenants would be September 1, if they make a decision on July 20? Is that right?

Matt Lindquist: yes, to the extent that the destroyed unit is turned by then, so we should have that back with the increased rent. For all the other units I have been getting nonstop pinged about whether they will have a place to live over the winter because if you put a huge increase on someone at the end of September, we are putting them between a rock and a hard place. There are some people we have agreed to extend through April, then it goes month to month after that. We're trying to appease everyone.

Moermond: that does change the math.

Matt Lindquist: if we could go up, whether it's the $1,021 or the $1,202 or even $1,300 if it was market rent, that will not be instituted across the board this year because some recently renewed. Some basically asked for help through the winter and we will talk at the end of April. I asked Mai a bit in my initial application that the tenants really want to know where they stand. The increases across the board, to a large extent, won't actually be instituted. So that 1% loss would actually be much larger.

Moermond: can I ask for a piece of follow-up information? Can you give me a table that shows your renewal cycle on these leases? So when the rent increases would become effective for the units. I am not going to redo the math, but I would like to get a better look at what you're saying. I would like to see it written up.
Matt Lindquist: I can send you that, we have something that tracks all of that.

Moermond: that would help in conceptualizing that. Any other questions?

Matt Lindquist: let's say for unit 4, people move out the end of August, assuming they give up the premises. We go and put in tens of thousands of dollars to get it up to a real livable unit. Is there any chance we could get above the 15%? Would it be like the 15% plus the cost amortized over the amortization schedule? Is that how we could potentially get a return on investment there? Or are we truly capped at the 15% even if the unit is in abhorrent condition?

Moermond: so we're talking about a trashed unit and bringing it up to a rehabbed unit ready for the next person.

Matt Lindquist: ideally around market rate.

Moermond: up to about that $1,300. I will take that as a specific ask in your appeal and deal with that, yes.
Matt Lindquist: thank you.

Moermond: other questions?

Rasmussen: July 7 we get the recommendation and we'll have until the 13th?

Moermond: you have until the 20th, but I wanted to let you know the Council gets in their hands on the 13th and it needs to be in final form for them. You would have much longer because the Council Public Hearing isn't until July 20. You would have almost 2 weeks with the document before that public hearing.

Jim Lindquist: we can give you answers or requests and it would get into the package for the Council on the 13th? And we can always still meet in front of the Council after that?

Moermond: yes. Anything that you give me, I will 1) take into account and consider revision of my recommendation and 2) it gets attached to the record. The Council will consider receiving items to go into their record to be considered for their decision all the way up until the point they close the Public Hearing, which is after you would potentially testify. It continues to be open. The sooner you have it in the more likely the chance they will have had time to look at it and review and feel comfortable making a decision on it. If you hand them a half-inch packet at 4:15 on a Wednesday, they probably won't feel comfortable making a decision at 4:20. They would likely want to do their due diligence and continue the matter for a week so they can read the information.

Rasmussen: so Matt would come in person?

Moermond: if he wants to come in person. If he wants to testify as he is now, he can do that. If you don't want to testify at all and submit something in writing, you can do that. I personally find it most effective when someone is there talking to the Council because it gives more full communication. It is not a requirement. We work to accommodate.

Rasmussen: if you look at the data you have now, is there a handful of things you would find helpful? Or is that missing? Or do you have everything?

Moermond: what my thoughts are now you know. Look again for the millionth time at *the ordinance and rules and figure out the best way to approach this and give it my best go.*

Jim Lindquist: the only thing is the lease dates?

Moermond: that was the new information and he also mentioned providing information on rent rates in the past in the northeast Minneapolis apartments and that experience. And I will commit to finding out the rental rate changes metro-wide during that same period so that information is in the record as well. I understand you don't have that information from back then, you did not own it.

Referred to the City Council due back on 7/20/2022