



August 9, 2023

Via email to [rentappeals@ci.stpaul.mn.us](mailto:rentappeals@ci.stpaul.mn.us)

The Honorable Marcia Moermond  
Legislative Hearing Officer  
St. Paul City Hall & Court House  
15 West Kellogg Blvd.  
St. Paul, MN 55102

Re: **Supplemental Appeal Submission – Haven at Battle Creek  
RLH RSA 23-13**

Dear Hearing Officer Moermond:

Counsel for Appellant Sumeya Mohamed submit this supplemental letter to address a recent data practices request production by DSI that sheds light on the opaque process by which DSI made its decision to approve a rent increase of 26.48% on all apartments, and substantial additional increases up to 80.61%.

What these internal DSI documents reveal is alarming. In approving the requested rent increase, DSI repeatedly violated its own legal duties under Ordinance 193A to conduct a “necessary investigation,” to “not grant an exception . . . for any unit where the landlord has failed to bring the rental unit into compliance with the implied warranties of habitability,” and to carry out the fundamental purpose of the Rent Stabilization Rules to “protect Tenants from Rent Increases which are not affordable, and which may force such Tenants to vacate their homes.” Ordinance 193A.07(a)(5); 193A.06(c); RS Rule § 8.a.

Instead, DSI aligned itself with Marquette in approving the rent increase after repeated *ex parte* meetings with Marquette employees while at the same time ignoring the extensive habitability complaints from Haven tenants. Nothing shows more clearly how far DSI departed from its legal obligations under the Ordinance than the first sentence in a DSI document created January 31, 2023 titled “Initial Thoughts for Mayor Meeting”: **“While Haven Battle Creek’s business practices have left many taken aback, Haven Battle Creek’s RROI application is very polished, well put together, and without question, represents a business deserving of an allowable rent increase per ordinance 193A.”** (Ex. S1.)<sup>1</sup> Under the Ordinance, DSI cannot disregard a landlord’s “business practices [that] have left many [tenants] taken aback” and affirmatively advocate for the landlord as “a business deserving of an allowable rent increase per ordinance 193A.” This biased decision making is even more unacceptable because DSI is fully aware that Haven is a “200+ unit building housing a high percentage of East African

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<sup>1</sup> Essentially the same statement appears in DSI’s May 25 Haven of Battle Creek Briefing (Ex. S2) and the Rent Stabilization Administrator’s MNOI notes (Ex. S9).

immigrants” and knows that “what makes this situation particularly difficult” is “[t]he potential for displacement of a large number of residents in the community.” (Ex. S2.)

For the reasons set forth here and in her prior submissions, Appellant Sumeya Mohamed requests that the Legislative Hearing Officer (1) reverse DSI’s decision approving Haven’s rent increase application and (2) order DSI to take corrective steps to comply with its legal obligations under Ordinance 193A going forward. At the very least, the rent increase should be stayed pending adjudication of Ms. Mohamed’s lawsuit.

### **DSI’s Violation of the Ordinance 193A**

The Minnesota Supreme Court has made it clear that city officials do not have the discretion to violate or deviate from their own ordinances or state statutes. “[P]ublic officials clearly have a duty to adhere to ordinances and statutes.” *Wiederholt v. City of Minneapolis*, 581 N.W.2d 312, 316 (Minn. 1998); *Waste Recovery Coop. v. County of Hennepin*, 517 N.W.2d 329, 333 (Minn. 1994) (“[City official’s] obligation was to enforce Ordinance 12 in conformity with state statutes. This duty was absolute, certain, and imperative, . . . and was fixed by the requirements of [ordinance and] statute.”). The mandatory language of DSI’s duties under Ordinance 193A strips immunity from city officials who violate it. *Thompson v. City of Minneapolis*, 707 N.W.2d 669, 674-75 (Minn. 2006).

DSI’s mandatory duties under Ordinance 193A include:

- 193A.07(a)(5) Upon receipt of a complete RROI application or complaint, the department **shall** conduct review of the RROI application or complaint and **conduct any necessary investigation to determine whether rent conforms to the requirements of this chapter.**
- 193A.06(c) **The city will not grant an exception to the limitation on rent increases for any unit where the landlord has failed to bring the rental unit into compliance with the implied warranty of habitability** in accordance with Minn. Stats. § 504B.161.
- 193A.06(b) It is the intent of this chapter **that exception to limitation on rent increases be made only when the landlord demonstrates that such adjustments are necessary** to provide the landlord with a fair return on investment.
- 193A.07(c) A landlord seeking to increase rent more than three (3) percent must submit an RROI application. **The landlord shall have the burden of demonstrating that the rent increase above three (3) percent is necessary for a reasonable return on investment.**
- 193.06(a)(2)(a)(1) For single metered multiunit residential buildings, **a landlord seeking to impose utility payments as a pass through expense under this chapter must follow all conditions established in Minn. Stats. § 504B.215, subdivision 2a.**

DSI failed to comply with all these duties in approving Marquette’s rent increase application. What follows are some of the most notable examples in DSI’s data practices production:

**1. DSI’s review focused almost exclusively on Marquette’s financial information, to the exclusion of its duties to investigate Marquette’s conformance with habitability and utility laws.** DSI’s production makes it clear that it focused the vast majority of its review of Marquette’s application solely on the financial information in the application, and failed to perform any real investigation of the many well-supported allegations of habitability violations, property management misconduct, and the illegality of their pass-through utility charges. In DSI’s “The Haven of Battle Creek Briefing” dated May 23, the “Preliminary Staff Analysis” section of the memo discusses only Haven’s “financial information” and “financial metric[s],” and does not say a word about health and safety issues, utility issues, permit issues, or property management issues. (Ex. S2.) Indeed, on May 17, DSI told Mayor Carter’s political director that DSI would not defer the rent increase pending adjudication of Ms. Mohamed’s lawsuit asserting numerous habitability and discrimination violations by Marquette because “[t]he City simply grants / denies an application based on financials.” (Ex. S3.) This statement directly contravenes DSI’s affirmative duty to investigate and require compliance with Minnesota Statutes Section 504B.161 and confirms that DSI has failed to comply with its duties under the Ordinance.

**2. DSI was well aware of habitability, utility, and property management complaints when it was reviewing Marquette’s application but failed to investigate them.** This appeal has already highlighted the fact that DSI never reached out to Ms. Mohamed or her lead and asbestos expert Greg Myers for more information on the health and safety issues set forth in her complaint, even though the Ordinance requires DSI to “conduct review of the . . . complaint and conduct any necessary investigation to determine whether rent conforms to the requirements of this chapter.” 193A.07(a)(5). DSI’s production also shows extensive awareness but no investigation into complaints about habitability, utility, and property management violations from other tenants. For example:

- DSI’s May 25 “The Haven of Battle Creek Briefing” (“The Haven Briefing”), Ex. S2, states that DSI learned about “complaints about habitability issues (e.g., mold, etc.)” as early as December 2022, but there is no evidence that DSI ever investigated:

12/2022: Angie Wiese and Lynne Ferkinhoff meet with residents and community leaders who corroborate much of what was provided in the notice to residents. Additionally note complaints about habitability issues (e.g., mold, etc.) and a City of Saint Paul Inspector (engagement issues); issues being looked into at the director level.

- The Haven Briefing states that Marquette “[m]ay purposely be failing Section 8 inspections to get to Just Cause Vacancy,” but there is no evidence that DSI ever investigated:

**May purposely be failing Section 8 inspections to get to Just Cause Vacancy.**

- The Haven Briefing notes DSI’s attendance at a tenant meeting organized by ISALAH in February 2023. In connection with that meeting, DSI received a packet of materials, Ex. S4, that included an actionable list of violations faced by Haven tenants under “Issues with the property manager,” but there is no evidence that DSI ever investigated:

**Name Issues Happening Where You Live**

- Nature of the original 90 day notice letter
  - The letter does not share whose unit will be impact, when the 90 days or month to month leases will take place,
  - It does not provide a means for family to start planning
  - It was not translate in oromo or Somali
- Issues with the property manager
  - They have sent emails saying that we should not attend resident meetings about the property that they didn’t organize
  - Haven’t done repairs
  - Unexpected rent increases more than 3%
  - Have charged money for rent when Section 8 voucher should cover my rent
  - They have been ignored or denied assistance from multiple entities that are supposed to provide services for proper housing.

- DSI produced complaints from 5 tenants in addition to Ms. Mohamed, all discussing some version of habitability issues, utilities, or problems with management, but there is no evidence that DSI ever investigated any of the foregoing tenant complaints. (Ex. S5.) Nor is there evidence that DSI ever attempted to contact any of the foregoing tenants about their complaints, just as it never contacted Ms. Mohamed about her DSI complaint or her class action complaint.

**3. DSI terminated its investigation into Marquette’s building permit violations without any explanation as to why it changed its mind about permit violations.** The only non-financial issue DSI seemed to take seriously (at least for a while) was building permits, starting with DSI Building Official Stephen Ubl raising the alarm in March 6 and March 8 emails that (1) Haven had not obtained “ANY recent [building] permits,” even though the inspector “recognize[d] new work completed on the exterior which would require a permit” and (2) “[w]e have photographs of significant renovation on the interior,” “new decks, siding, etc. NO PERMITS.”

**From:** Stephen Ubl <[stephen.ubl@ci.stpaul.mn.us](mailto:stephen.ubl@ci.stpaul.mn.us)>  
**Sent:** Monday, March 6, 2023 2:23 PM  
**To:** Angie Wiese <[angie.wiese@ci.stpaul.mn.us](mailto:angie.wiese@ci.stpaul.mn.us)>  
**Subject:** RE: 200 Winthrop - Greg Myers Expert Report.pdf

Good afternoon,

The inspector drove by to “refresh” his memory of the campus. The confusion is with multiple addresses. He is unable to confirm ANY recent permits were obtained for the properties. He did recognize new work completed on the exterior which would require a permit.

Thank you,

Steve

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**From:** Stephen Ubl <[stephen.ubl@ci.stpaul.mn.us](mailto:stephen.ubl@ci.stpaul.mn.us)>  
**Sent:** Wednesday, March 8, 2023 10:59 AM  
**To:** Adrian Neis <[adrian.neis@ci.stpaul.mn.us](mailto:adrian.neis@ci.stpaul.mn.us)>; Nathan Bruhn <[nathan.bruhn@ci.stpaul.mn.us](mailto:nathan.bruhn@ci.stpaul.mn.us)>; Steven Maki <[Steven.Maki@ci.stpaul.mn.us](mailto:Steven.Maki@ci.stpaul.mn.us)>  
**Cc:** Leanna Shaff <[leanna.shaff@ci.stpaul.mn.us](mailto:leanna.shaff@ci.stpaul.mn.us)>  
**Subject:** RE: 200 Winthrop - Greg Myers Expert Report.pdf

We have photographs of significant renovation on the interior. Additionally, the inspector drove by the building and recognized new decks, siding, etc.

NO PERMITS!

Steve

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(Ex. S6.) Yet the building permit investigation promptly ended after an unrecorded April 20 on-site meeting between building inspectors and Haven staff, after which inspectors told DSI that their determination was that Marquette’s renovation work was cosmetic and did not require permits. There is no explanation for this about face, and it makes no sense given the evidence of major demolition and renovation that had sparked Ubl’s concern in the first place.

Indeed, a month earlier, DSI’s Rent Stabilization Management Analyst sent Ubl a summary of Haven capital improvement projects, along with attachments submitted by Marquette that show how extensive the demolition and renovation work was. Several of these projects—such as the renovated indoor pool, new fitness area, and new office—involved hundreds of thousands of dollars in renovation and were obviously much more than cosmetic repairs. Based on this list, the Management Analyst asked Ubl to “identify any improvements that would require a permit?” There is no response from Ubl in the DSI production, and it appears that he failed to consider this information in analyzing the need for permits.

Hi Steve:

The application submitted by The Haven of Battle Creek on includes a brief description of several interior and exterior capital improvement projects. Please see list below.

**Exterior (completed)**

- Paint
- Asphalt
- Concrete
- Roof (new on 200 side)
- Balcony
- Drainage
- Landscape (repairs)

**Interior (completed)**

- New Leasing Office
- Renovated Indoor Pool
- Fitness Center
- Model
- Lobbies
- Painting (hallways, stairwells, doors)
- Door Locks (new)

**Interior (in progress)**

- Package Room
- Mailboxes (new on 200 side)
- Garage (power washing / striping)
- FOB and Camera Systems Installation (new)
- Outdoor Patio (off the pool)
- Outdoor Eating / Veranda Area

Additionally, the attached documents list 2021, 2022 and planned capital improvements for this same property.

Would you be able to review the list above and the attached documents and identify any improvements that would require a permit?

(Ex. S6.)

On top of this, it appears that Ubl never responded to DSI’s request for “habitability issues.”

**From:** Lynne Ferkinhoff  
**Sent:** Monday, April 10, 2023 9:21 AM  
**To:** Demetrius Sass  
**Subject:** RE: Angie Meeting

Thanks for the update, Demetrius.

It looks like we meet with Angie @ 4:30 pm today, but please let me know if you see something different on your calendar. (I noticed she moved our RSO Check-in meeting to 9:00 am on 04/17/23.)

We can ask Angie about the habitability issues at The Haven of Battle Creek during our meeting today. I sent an email to Seve Ubl last week about the habitability issues, but he did not respond. I can follow-up with him.

(Ex. S7.)

**4. DSI terminated its investigation into lead and asbestos violations without explanation.** Equally mysterious is the fate of DSI’s investigation into the lead and asbestos violations described in Greg Myers’ expert report. After receiving the expert report, DSI Director Angie Weise immediately expressed concern as to “whether the contractor tested for lead or asbestos? Are they taking precautions as is required if there is lead and asbestos present?”

**From:** Angie Wiese <[angie.wiese@ci.stpaul.mn.us](mailto:angie.wiese@ci.stpaul.mn.us)>  
**Sent:** Thursday, March 2, 2023 9:41:30 AM  
**To:** Stephen Ubl <[stephen.ubl@ci.stpaul.mn.us](mailto:stephen.ubl@ci.stpaul.mn.us)>  
**Cc:** David Hoban <[David.Hoban@ci.stpaul.mn.us](mailto:David.Hoban@ci.stpaul.mn.us)>; Nathan Bruhn <[nathan.bruhn@ci.stpaul.mn.us](mailto:nathan.bruhn@ci.stpaul.mn.us)>; Lynne Ferkinhoff <[Lynne.Ferkinhoff@ci.stpaul.mn.us](mailto:Lynne.Ferkinhoff@ci.stpaul.mn.us)>; Demetrius Sass <[Demetrius.Sass@ci.stpaul.mn.us](mailto:Demetrius.Sass@ci.stpaul.mn.us)>  
**Subject:** 200 Winthrop - Greg Myers Expert Report.pdf

Steve,

This came to the Rent Stabilization team via an attorney who is trying to provide an argument for a habitability violation of the ordinance.

Imbedded in that correspondence was this report.

As the contractor tested for lead or asbestos? Are they taking precautions as is required if there is lead and asbestos present?

The building inspector assigned to this property should be aware but also, I would like to know for our file with Rent Stabilization.

(Ex. S6.) And it appears that DSI initially understood the importance of doing an “investigation into the expert report on Haven,” admitting that “[s]ince there are habitability concerns, and habitability is the key to an approval, we need to get this sorted out to avoid being sued.”

**From:** Demetrius Sass <[Demetrius.Sass@ci.stpaul.mn.us](mailto:Demetrius.Sass@ci.stpaul.mn.us)>  
**Sent:** Friday, April 7, 2023 2:32 PM  
**To:** Lynne Ferkinhoff <[Lynne.Ferkinhoff@ci.stpaul.mn.us](mailto:Lynne.Ferkinhoff@ci.stpaul.mn.us)>  
**Subject:** Angie Meeting

Good’ay,

Asha is wondering about the status of DSI’s investigation into the expert report on Haven. Since there are habitability concerns, and habitability is key to an approval, we need to get this sorted out to avoid being sued. Angie moved our meeting to the morning so I figure we can ask her then.

Thanks

(Ex. S7.) Nonetheless, DSI decided to terminate the lead and asbestos investigation without explanation:

02/28/23: The Housing Justice Center submits an “Expert Report” and accompanying exhibits which suggest that lead-based paint removal and asbestos removal may not have been properly abated. It’s unclear if lead-based paint removal and asbestos removal actually took place during the renovation. The City would not be the appropriate authority on this matter.

(Ex. S2.)

**5. DSI worked hand in hand with Marquette in the application review process, but had essentially no interaction with tenants.** The documents produced by DSI reveal a process that heavily favored the landlord, in which DSI gave special access to Marquette staff in *ex parte* meetings, phone calls, and emails about the rent application and habitability issues. It is little wonder then Marquette’s financials were rubberstamped, tenant complaints were ignored, investigations were mysteriously terminated or never started in the first place, and Marquette’s displacement-enabling rent increases were approved.

One March 31 email from DSI’s Rent Stabilization Administrator to Marquette executives Jason Wood and Cheron Eich symbolizes the extent of DSI’s favoritism. In this email, sent **more than seven weeks** before formal approval on May 24, and in the midst of what should have been an active investigation by DSI, the Administrator improperly disclosed internal DSI information to Marquette employees and assured them that their requested increases were on their way to being approved: “I have essentially finished my portion of the process and have calculated the potential rent increase allowances. . . . I cannot yet share the full results with you but the rent increases for the units range from roughly 25% to 75% when capital improvements are accounted for.”

**From:** Demetrius Sass <[Demetrius.Sass@ci.stpaul.mn.us](mailto:Demetrius.Sass@ci.stpaul.mn.us)>  
**Sent:** Friday, March 31, 2023 9:39 AM

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**To:** Cheron Eich <[CEich@marqnet.com](mailto:CEich@marqnet.com)>; Jason Wood <[JWood@marquettecompanies.com](mailto:JWood@marquettecompanies.com)>  
**Subject:** RE: Rent Control Petition - Marquette Management, Inc


**Caution: This is an external email and is NOT from a Marquette Employee.**

Hello,

I wanted to follow up and let you know that I have essentially finished my portion of the process and have calculated the potential rent increase allowances. My analysis will be looked over by our supervisor next week and the process should be on its way to completion.

Since there is still 1 or 2 more desks to verify my work I cannot yet share the full results with you but the rent increases for the units range from roughly 25% to 75% when capital improvements are accounted for.

Thank you

 **Demetrius Sass**  
Rent Stabilization Administrator



(Ex. S8.) In contrast, the first time that any Haven tenant learned about a rent increase approval from DSI was if they were fortunate enough to notice the fine print in the middle of one side of a mass mailing postcard that may or may not have been delivered in late May or early June. This one-sided treatment is a profound violation of DSI's duties under the Ordinance, and underscores how deeply compromised DSI's rent increase approval process was here.

**6. DSI failed to reasonably investigate Marquette's financials and overlooked numerous errors in Marquette's calculations.** It is also clear that DSI failed to properly investigate Marquette's financial information. DSI's limited notes from a March 2 meeting with Marquette's financial staff (Ex. S9.) seems to be the **only time** DSI discussed the reasonableness of Marquette's expenses. But DSI had long before made up its mind that the financial presentation in the **"Haven Battle Creek's RROI application is very polished, well put together, and without question, represents a business deserving of an allowable rent increase per ordinance 193A."**

But a review of Marquette's MNOI reveals a number of errors, including the following:

**Errors in Capital Improvement Calculation.** Marquette's submissions to DSI include an MNOI Operating Expense worksheet, Ex. S10, which was used by DSI to calculate the approved 26.48% NOI rent increase. The worksheet includes, at line 24, an entry of \$323,455 as an operating expense. This is the entry for amortized capital expenditures and interest. This figure comes from the table labeled "Page 11 – XII Interest Allowance." (Ex. S10.) The table sets out the cost of 27 capital improvements, the cost per unit, the interest rate purportedly permitted by the DSI rules, the amortization period, and the "Annual Cost" for each capital improvement. This "Annual Cost" column totals \$323,455, the amount carried over into the Operating Expense worksheet. There are three important errors in this worksheet.

First, capital improvements amortized as operating expenses must cost at least \$250/unit or \$54,000 ( $\$250 \times 216$  units). MNOI Reasonable Return Standard, Rule B(1). Nineteen of the capital improvements cited in the Table have an initial cost of less than \$54,000. None of these may be counted in calculating a capital expense amortization included as an operating expense.

Page 11 - XII. Interest Allowance										
2022 - Capital (Current Year)										
a	b	c	d	e	f	g	h	i	j	k
Date of Improvement	Description of Expense	Units Impacted	Initial Cost	Interest Rate Allowed	Amortization Period	Interest Amount	Total Cost	Annual Cost	Monthly Cost	Monthly Cost Per Unit
2022	Pool Equipment	216	1,016.62	8.15%	5	224.57	1,241.19	248.24	20.69	0.10
2022	Boiler Motor Replacement	216	4,163.85	8.15%	10	1,938.10	6,101.95	610.20	50.85	0.24
2022	Heat Exchanger and Pipe Replacement	216	4,527.45	8.15%	10	2,107.35	6,634.80	663.48	55.29	0.26
2022	Exterminating	216	7,516.25	8.15%	5	1,660.31	9,176.56	1,835.31	152.94	0.71
2021	Tuckpointing / Siding Repairs	216	18,533.00	8.15%	10	8,626.37	27,159.37	2,715.94	226.33	1.05
2021/22	Roof Repairs	216	398,660.68	8.15%	10	185,560.51	584,221.19	58,422.12	4,868.51	22.54
2021/22	Exterior Painting	216	30,429.94	8.15%	5	6,721.84	37,151.78	7,430.36	619.20	2.87
2022	Hallway Painting and Door Hardware	216	112,322.81	8.15%	5	24,811.60	137,134.41	27,426.88	2,285.57	10.58
2021	Trash Chute Door Replacements	216	5,843.17	8.15%	10	2,719.76	8,562.93	856.29	71.36	0.33
2022	Security Improvements	216	1,250.00	8.15%	10	581.82	1,831.82	183.18	15.27	0.07
2022	Landscaping Improvements	216	35,395.12	8.15%	10	16,475.00	51,870.12	5,187.01	432.25	2.00
2021	Concrete Replacement	216	22,582.00	8.15%	10	10,511.01	33,093.01	3,309.30	275.78	1.28
2022	Garage Re-Striping	216	2,675.00	8.15%	10	1,245.10	3,920.10	392.01	32.67	0.15
2021	Model Furnishings	216	4,599.81	8.15%	5	1,016.08	5,615.89	1,123.18	93.60	0.43
2022	Garage Door Replacements	216	11,490.00	8.15%	10	5,348.13	16,838.13	1,683.81	140.32	0.65
2021/22	Garage Maintenance	216	126,890.78	8.15%	10	59,062.55	185,953.33	18,595.33	1,549.61	7.17
2021	Signage	216	1,916.38	8.15%	5	423.32	2,339.70	467.94	38.99	0.18
2021/22	Pool / Fitness Center / Package Room Upgrades	216	611,284.02	8.15%	10	284,528.11	895,812.13	89,581.21	7,465.10	34.56
2021/22	Office Supplies and Management Services	216	49,798.70	8.15%	5	11,000.31	60,799.01	12,159.80	1,013.32	4.69
2021	Common Area Door Replacements	216	57,130.00	8.15%	5	12,619.76	69,749.76	13,949.95	1,162.50	5.38
2021	Balcony Repairs	216	106,886.62	8.15%	10	49,751.42	156,638.04	15,663.80	1,305.32	6.04
2022	Sprinkler Head Replacement	216	1,350.00	8.15%	10	628.37	1,978.37	197.84	16.49	0.08
2021/22	Camera Rewiring	216	15,600.00	8.15%	10	7,261.17	22,861.17	2,286.12	190.51	0.88
2021	Underground Storage Tank Removal	216	44,410.00	8.15%	10	20,671.07	65,081.07	6,508.11	542.34	2.51
2021/22	Electrical Panel Replacement	216	127,217.07	8.15%	10	59,214.43	186,431.50	18,643.15	1,553.60	7.19
2022	Exterminating	216	8,547.05	8.15%	5	1,888.00	10,435.05	2,087.01	173.92	0.81
2021/22	Management Services	216	127,886.92	8.15%	5	28,249.64	156,136.56	31,227.31	2,602.28	12.05
<b>Total</b>		<b>216</b>	<b>1,939,923.24</b>			<b>804,845.71</b>	<b>2,744,768.95</b>	<b>323,454.88</b>	<b>26,954.57</b>	<b>124.79</b>

Second, under the Rules, rent increases for unit-specific capital improvements must be allocated to that unit and it is only building wide or common area capital improvements which result in rent increases allocated equally to all units. MNOI Reasonable Return Standard, Rule A(6). The Table includes \$106,886 for balcony repairs. Ground floor apartments do not have balconies and this item must instead be applied to individually benefitted apartments.

Third, the Rules provide that the interest allowed is to be calculated by adding 2% to the “average rate” from a Freddie Mac weekly publication “as of the date of the initial submission of the application.” MNOI Reasonable Return Standard, Rule B(2). The calculation in the Table uses 8.15%, implying a Freddie Mac rate of 6.15%. This would be appropriate if Marquette’s January 2023 submission was the initial submission of the application. But it was not. A February 1, 2023 email from DSI’s Management Analyst is attached as Ex. S11. It indicates that a rent increase exception request was submitted by Marquette on June 14, 2022 and that the attachments referenced at the bottom of that application “are the same ones” as those provided with the January 2023 application. Also attached is a Freddie Mac bulletin from June 9, 2022 that shows an average rate of 5.23%. (Ex. S11.) Under the Rule, then, the appropriate interest rate for a June 14, 2022 rent increase application is 7.23% and that is the rate that must be used in approving any rent increase exception.

**Operating Expense Error.** There is at least one other error in the calculation of operating expenses. Line 8, Manager/Management Services, increases from \$372,502 in 2019 to \$659,811 in 2022, a 77% increase. (Ex. S10.) The Rent Stabilization Rule provides that:

It is presumed that management expenses have increased between the Base Year and the current year by the percentage increase in Rents or CPI, whichever is greater, unless the level of management services has either increased or decreased significantly between the Base Year and the current year. This presumption must also be applied in the event that management expenses changed from owner-managed to managed by a third party or vice versa.

MNOI Reasonable Return Standard, Rule A(5)(b)(ii). As set out above, it is up to the owner to prove an increased level of services justifying a 77% increase in management expenses. DSI has demanded no such proof and the owner has provided none. In fact, Ms. Mohamed's appeal, along with other tenant complaints submitted to DSI both formally and informally, see Ex. S2, S4, S5, show that Haven's management services have been severely lacking: failure by management to respond to tenant maintenance and pest concerns, retaliation from management against tenants who exercise their rights, imposition of utility fees that contravene Minnesota law, ineffective communication, and outright disrespect from management to Haven's tenant population. Therefore, the expense calculation may show Line 8 as no more than the standard maximum set out in the regulation, which is certainly far less than 77%.

Best regards,

*s/James Poradek*

James Poradek  
Tenant Rights Attorney, Housing Justice Center

Exhibits