

Title

Amending Chapter 193A.08 of the Legislative Code pertaining to rent stabilization.

Body

SECTION 1

WHEREAS, the population in Saint Paul since the year 2000 is outpacing the increase in new housing; and

WHEREAS, rent stabilization ordinances in other jurisdictions exempt new construction from a date certain to address challenges like those faced by the City of Saint Paul, specifically housing shortages and accessibility to affordable housing; and

WHEREAS, new construction exemptions are contained within rent stabilization ordinances across the country to prevent a loss of capital investment, relocation of builders to more predictable locations and asset types, negative impacts on housing supply, and long term increases to housing costs; and

WHEREAS, the development of new affordable housing in the City depends, in part, on Tax Increment Financing (TIF) produced by the development of new market rate housing in general; and

WHEREAS, a decrease in development of new housing will decrease the availability of TIF and thus decrease the development of new affordable housing; and

WHEREAS, the need for affordable housing in the City of Saint Paul continues to outpace the construction of new housing and the City Council desires to ensure that the RSO does not dissuade the construction of new housing; and

WHEREAS, construction workers who are paid the prevailing wage rate as defined by City ordinance are better able to afford rent payments in the City of Saint Paul, and payment of prevailing wage has been shown to increase wage rates of workers outside the construction industry making them better able to afford rent payments in the City of Saint Paul; and

WHEREAS, payment of the prevailing wage rate to construction workers promotes the quality of construction and the durability of residential buildings and thereby increases the available stock of rental housing; and

WHEREAS, the City Council may amend ordinances pursuant to the Saint Paul charter; now, therefore, be it

RESOLVED, that the Council of the City of Saint Paul does hereby ordain:

## SECTION 2

Chapter 193A.08 of the Saint Paul Legislative Code is hereby amended as follows:

Sec. 193A.08. - Exceptions.

(a) The limitation on rent increases shall not apply to:

(1) The amount that a housing service provider can be reimbursed by a government entity under the Housing Support Act, Minn. Stats. chapter 256I.

(2) Housing restricted by deed, regulatory restriction contained in an agreement with a government agency, or other recorded document as affordable housing for persons and families of very low, low, or moderate income, as defined by state or federal law, or subject to an agreement that provides housing subsidies for affordable housing for persons and families of very low, low, or moderate income, as defined in state and federal law.

(3) Residential rental property that is newly constructed or had a change in occupancy classification.

a. The limitation on rent increases shall not apply to newly constructed residential rental properties that were issued their first building certificate of occupancy ~~less than twenty (20) years from the date of notice of a rent increase~~ after December 31, 2004, subject to the requirements of subsection c.

b. The limitation on rent increases shall not apply to formerly non-residential properties or portions of non-residential properties that were issued a new or renewed building certificate of occupancy because of a change in occupancy classification to residential rental property. Such properties or portions of properties that have changed occupancy classification from non-residential to residential rental property that were issued their first building certificate of occupancy after December 31, 2004, are exempted from the limitation on rent increases, subject to the requirements of subsection c.

c. For covered Projects as defined herein, the exemptions to the limitation on rent increases in subsections a. and b. shall not apply unless all construction workers on the Project are paid for all hours worked no less than the prevailing wage rate that is in effect when the construction work on the Project commences as defined in section 82.07 of the St. Paul Administrative Code, hereinafter referred to as the "Prevailing Wage Rate." A "Project" is defined as a newly constructed residential rental property of twelve or more units or a formerly non-residential property or portion of a non-residential property that is converted to a residential rental property of twelve or more units. The requirements of this subsection c. shall apply to Projects for which a prime construction contract is entered into after the effective date of this ordinance.

The exemption to the limitation on rent increases shall not apply to a Project until such time as the Landlord submits a sworn declaration under oath to the department of safety and inspections verifying compliance with the following criteria:

(i) Any construction contract and subcontract for construction work on the Project incorporated the following three requirements regarding all construction workers on the Project, including all employees of contractors and subcontractors of any tier:

1. For all hours worked, all construction workers on the Project shall be paid no less than the Prevailing Wage Rate that is in effect when the construction work on the Project commences;

2. All contractors and subcontractors on the Project shall maintain certified payroll records for all construction workers on the Project for a period of no less than three years after the construction work under the applicable contract or subcontract is completed and shall produce such certified payroll records to the Landlord upon request. The contractor or subcontractor shall prepare such payroll records every two weeks signed by one of its owners or officers under oath, and such records shall show the wages and benefits paid to each employee during the preceding weeks specifying for each employee: full name, prevailing wage master job classification, hours worked each day, total hours, rate of pay, gross amount earned, each deduction for taxes, total deductions, net pay for the week, and dollars contributed per hour for each benefit. Payroll records shall be marked or redacted to an extent only to prevent disclosure of the employee's Social Security number; and

3. All contractors and subcontractors shall post the applicable Prevailing Wage Rate for each class of labor working on the Project in at least one conspicuous place on the Project for the information of the construction workers and shall post notice of employees' right to file a complaint about not being paid the applicable Prevailing Wage Rate with the department of human rights and equal economic opportunity without facing retaliation of any kind.

(ii) For all hours worked, all construction workers on the Project, including employees of contractors and subcontractors of any tier, were paid no less than the Prevailing Wage Rate that was in effect when the construction work on the Project commenced.

A Landlord that fails to submit a sworn declaration under oath verifying compliance with any one of the above criteria or knowingly makes a false statement under oath in a declaration verifying compliance shall not be entitled to the relevant exemption from the limitation on rent increases.

d. Notice of the requirements of subsection c. shall be included in all applications for building permits for residential rental properties pursuant to section 33.03(a) of the St. Paul Legislative Code after the effective date of this ordinance.

e. A construction worker may file a complaint with the department of human rights and equal economic opportunity at any time while working on a Project or within three years of the last date of performing work on a Project alleging that the construction worker and any other affected construction workers on the Project have not been paid the applicable Prevailing Wage Rate as provided by subsection c. If the available certified payroll records do not provide sufficient information to determine the exact amount of wages due to the affected construction workers, the department may make a determination of wages due based on available evidence. The investigation, hearing, and determination regarding any such complaint shall follow the procedures set forth in section 224A.12 of the St. Paul Legislative Code, with the exception of subsection (d) regarding civil actions in court. The Landlord shall provide copies of the certified payroll records

maintained pursuant to subsection c. to the department upon request and shall retain such records for the duration of the investigation and decision-making by the city. Social Security numbers and employees' personal addresses must not become a matter of public record. If the city determines based on the applicable process that the complaining construction worker and any other construction workers on the Project were not paid the applicable Prevailing Wage Rate, the Landlord will be given thirty days after the city's final determination to cure such failure to pay the Prevailing Wage Rate. If the Landlord or its contractors or subcontractors fail to make timely payment to cure the violation, the Landlord will not be eligible for the exemption to the limitation on rent increases in subsection a. or b. for purposes of any rent increases after the date of the city's final determination. The Landlord may restore eligibility for the exemption if the Landlord or its contractors or subcontractors pay the full amount due in accordance with the city's final determination.

### SECTION 3.

This ordinance shall take effect and be in force thirty (30) days following its passage, approval and publication.