Dear Honorable Members of the Saint Paul City Council,

I am writing to respectfully contest the Legislative Hearing Officer's recommendation to deny my rent stabilization appeal for the property at 1640 Edgerton Street, which is scheduled for your consideration on September 2, 2026. I am the property owner and the active landlord, and I am submitting these comments in writing as I am currently out of state and unable to attend the council meeting in person.

I want to be transparent with the Council: I have not been provided the hearing officer's written reasoning for her denial recommendation. Without knowing which aspects of my argument she found unpersuasive, I am unable to address her specific concerns directly—a circumstance I would characterize as fundamentally unfair to an appellant who invested considerable time and resources in preparing a thorough and well-documented case, as the hearing officer herself commended at the August 21st hearing. What I can do is briefly reiterate the core of my position and ask the Council to consider whether the interpretive question at the heart of this appeal warrants a different outcome. Questions for the Council's convenience are included at the end of this letter.

I also want to note that the argument I am presenting to the Council today reflects a refinement of the position I advanced before the hearing officer. Having continued to analyze the treatment of the last month's rent following the hearing, I believe I can now frame the core issue more precisely and persuasively than I did at the hearing. I respectfully ask the Council to consider this refined argument on its merits, independent of the hearing officer's recommendation, which was based on the earlier formulation.

The Issue

The Department of Safety and Inspections approved a 14.80% rent increase for my property. However, my Maintenance of Net Operating Income (MNOI) worksheet, prepared in accordance with the City's guidelines, supports an allowable increase of 23.12%. The entire difference arises from a single methodological question: whether the last month's rent collected from a tenant in installments throughout 2024 should be treated as 2025 rental income.

Understanding the Last Month's Rent

Despite its name, **"last month's rent" is not rent paid during or just before the final month of a tenancy. It is prepaid rent—collected at the inception of the tenancy, often years in advance**, as a contractual guarantee that the landlord will receive compensation for the final month of occupancy. Unlike a security deposit, which belongs to the tenant until applied, the last month's rent is the landlord's income the moment it is collected—the landlord may spend it immediately and has no legal obligation to hold it in escrow.

The lease for this tenancy explicitly designated the last month's rent as "prepayment for the last month's rent owing under this agreement." It was collected in installments throughout 2024 as a contested debt, substantially completed in 2024 with a final installment of $899.93 received

January 4, 2025—delayed due to the holiday banking schedule and the conclusion of a prior-year payment plan.

The tenant was evicted in early June 2025 and was not living in the property when the last month's rent was applied. Had it not been collected in advance, it would never have been collected at all. Its delayed application to June 2025 was a responsible and calculated accounting action based on budgetary needs despite the fact that the funds could have been spent any time after being received by the landlord, Further, because the tenant was lawfully evicted in June 2025, it was in fact not even compensation for housing services rendered in June 2025. To treat it as 2025 rental income is to count the same income twice: once when collected in 2024, and again when applied in 2025.

Why This Matters

DSI's own administrator acknowledged in writing that "the administrative rules are not explicit" on how Line 2—Portion Attributable to Vacancy—should be treated in a situation such as this, and that **my interpretation is "not unreasonable."** The Legislative Hearing Officer deferred her recommendation at the close of the hearing to review the materials further—itself a signal of genuine ambiguity. When the rules are silent and DSI acknowledges the appellant's interpretation is not unreasonable, the benefit of the doubt should fall to the appellant.

It is also worth noting that during the hearing, the officer asked DSI staff whether future expenses would likely require an additional increase of comparable magnitude—to which staff responded that future costs would likely be covered under the annual 3% allowance. The MNOI process is designed to establish fair return based on documented historical figures, not future projections. I respectfully submit that this forward-looking inquiry, however understandable, is not the proper standard by which an MNOI appeal should be evaluated.

Context

The 2025 "Current Year" figures reflect an extraordinary and non-recurring set of circumstances: a court-ordered eviction, significant remediation costs, a distress-driven concessionary rental rate, and six years of accumulated cost increases since the 2019 base year. Whatever determination the Council makes will establish the baseline Net Operating Income (NOI) for all future MNOI petitions for this property. **I respectfully ask that this baseline be set as accurately and fairly as the evidence supports.**

I also want to be transparent about my intentions as a landlord. I have good tenants whom I wish to retain. **Whatever increase is ultimately approved will be implemented gradually and with genuine consideration for the tenants' circumstances.** I am not seeking a windfall—I am seeking an accurate accounting of an extraordinary year so that the foundation for future determinations reflects reality.

Questions for the Council's Consideration

1. The last month's rent was contractually designated as a prepayment and was collected in installments largely throughout 2024. **Is it appropriate to treat its June 2025 application as current year rental income—effectively counting the same income twice?**
2. The prior tenant was not living in the property when the last month's rent was applied. Had it not been collected in advance, it would never have been collected at all. **Does treating its 2025 application as current year income accurately reflect the economic substance of the transaction—or does it prioritize form over substance?**
3. The MNOI process is designed to evaluate fair return based on documented historical figures. **Was the hearing officer's recommendation appropriately grounded in the MNOI standard—or was it materially influenced by a speculative assessment of the appellant's future expenses?**
4. Was the appellant provided with the hearing officer's written reasoning for her denial recommendation prior to being asked to contest it before the Council? If not, is that consistent with the City's commitment to fair and transparent administrative proceedings?
5. DSI's own administrator acknowledged in writing that the administrative rules contain no explicit guidance on the interpretive question at the heart of this appeal, and that the appellant's interpretation is not unreasonable. **Does approving an increase below what the City's own MNOI formula supports—on the basis of an ambiguity that DSI itself acknowledges—serve the City's interest in providing landlords with a fair return on investment?**

I appreciate the Council's time and consideration of my appeal.

Most sincerely,

Robert Fox
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