



Meeting Minutes

Rent Stabilization Appeal Hearings

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10:00 AM

Room 330 City Hall & Court House

RLH RSA 23-5

Appeal of Heather Corland to a Rent Stabilization Determination at 475 GRIGGS STREET SOUTH. Apt, 2.

Sponsors: Tolbert

Heather Carland, appellant and tenant
Dave Bartels and Shanelle Peterson, property managers
Nick Monson, Attorney representing ownership

Moermond: I am Marcia Moermond and I'm the City Council's hearing officer and it's my job today to hear this appeal and make a recommendation to the City Council on it. If you're OK with what I'm recommending to them, they're going to go with that without discussion. If for any reason anyone wants to testify, you can absolutely do that. The council may look at the matter differently than I do It's a public hearing so anybody can speak. We would really want to make sure that Ms. Carland is aware so she doesn't miss the hearing, and has a chance to speak. We are trying to respect everybody's ability to represent their interests. If you don't have to make a trip down the City Hall and pay for parking, we want to respect that, too. What I like to do in these hearings is to start out with the staff report and have staff kind of level set on what we are looking for. We are going to hear some information that's just kind of basic about the appeal, about their review process when looking at these kinds of determinations and find out why they made the determination that they did. I would like to start out by talking with you about why you're appealing and what you're looking for today in the appeals process. I will also have questions for Mr. Monson, who is representing the landlord. I know just by looking at the appeal, I have questions. Obviously, this is an informal hearing, the Council has formal hearings. We will try to sort things out for them and develop background information. any questions before I ask staff to get us started with the staff report?

Moermond: I will turn it over to you Ms. Ferkinhoff.

Ferkinhoff/ Staff Report: On December 12, 2022, the department received a self-certified application for an exception to the 3% rent increase cap per ordinance 193A. The application is for 475 Griggs Street South and comprises the entire building (7 units), including Unit 2. The intake form is part of the record and David Bartels is listed as the applicant. Mr. Bartels submitted the application on behalf of Professional Real Estate Services LLC. The owner of record and responsible party for the property is Griggs Q, LLC. He percentage increase requested in the application is 8%, with the increase being the same across all units. The increase was proposed to take effect on February 1, 2023. The reasons for the increase listed in the application include: 1) an unavoidable increase in operating expenses; 2) an increase in real property taxes; and 3) a decrease in rental income.

For self-certification, applicants are required to provide three pieces of information from the worksheet used to calculate Maintenance of Net Operating Income or "MNOI": 1) Income adjusted by CPI: \$45,597; 2) Allowable rent increase: \$11,902; and 3) Allowable increase/unit/month: \$142. Per the self-certification process, the application was automatically approved for a maximum of an 8% increase. An autogenerated approval letter was sent to Mr. Bartels for this request with a flier that the Landlord can use to notify residents of the increase approval. Tenant notification changed when amendments to the Rent Stabilization Ordinance became effective on January 1, 2023. Staff applied the Rent Stabilization rules that were in effect at the time this rent increase exception request was submitted. The property was purchased by the current owner in 2019. The last Fire Certificate of Occupancy was approved on November 24, 2021, as a Class A property.

Moermond: This application was made back in December of 2022. It was reviewed under the older version of the ordinance that was in effect of that time. A lot of amendments went through in the month of September that became effective January 1st. Those amendments do not apply to this property. We have a much shorter ordinance, and another difference is that there were rules that the department established to review applications looking at that older version of the ordinance. Those rules were rewritten to take into account all of the changes that happened to the ordinance effective January 1st. In the new ordinance, there is a time period from when the determination is made, whether rent increases approved and when an appeal can be made, which is within 45 days. That does not apply under the old ordinance, and in fact, the old ordinance doesn't give any guidance on the length of time, between when a decision is made and when an appeal can be made. Under the Legislative Code for Chapter 18, which I operate under, the standard is 10 days, and we try to be respectful of the fact that the U.S. mail may not be 10 days and we want to make sure again that people's interests are represented. We are not saying that this applies to you, but that Chapter 18 should be the measure. What I want to look at when your appeal came in and when were you informed of the decision and were you making an appeal in a timely fashion, according to when you were informed? Whether that was by the City or by the landlord, or somebody else just so that your voice could be heard. I think that that is the underlying intention and why some amendments were made addressing that particular issue. I don't think that we should look at your acceptance of your appeal as the exception. I think that it is the right thing to do in the circumstances we're faced with. With respect to the rules that apply, whether it is the old set of rules you operated in the 2022 or the new set of rules in 2023, the criteria are the same. It does not matter which time period the application would have been evaluated.

Ferkinhoff: That's Correct

Moermond: Lastly, both in 2022 and now, a landlord can simply go on to the city's website, fill out the paperwork and it's the rent increase being requested as an exception to the 3% cap. If that is 8% or less, then there is no staff review. You're not asking for the MNOI to be submitted (maintenance and operating income worksheet). But if there's an appeal, we do go back and ask for that to be submitted so that it can be included in the analysis. Both, in the old ordinance and in this ordinance, the City has the right to audit any application by simply asking for that MNOI worksheet to be provided. It is like a mini audit. Tell me a little bit more about the analysis that DSSI did, when reviewing the application and the kinds of things you took into account. Also, I did notice that in this MNOI there's an average increase for each unit of \$142, but that also doesn't necessarily apply to this unit. Can you pull those threads apart just a little bit to get that analysis?

Sass: Yes. In the initial MNOI from last year, it would produce this dollar value

increase. It would take the total amount that the rent should be increase for the building, and split that up by how many units there are to give a value to each unit to equal that increase amount. Now, that we do percentage base rather than this dollar value, we would look at that a bit differently. We're doing something similar to last year as well, but the form wasn't reflecting it at the time. It was kind of in the process of being molded into what it is today. Looking at the information we have here, there is a 14% allowable increase, which we found to be a fair way to attributed to units and have different rent values that way. If the unit is \$2,000 a month a \$100 increase is not much, but if it was \$800 a month a \$100 dollar increase has a significant impact. Making a percentage base number makes it more fair for the entire community. Looking back at the document, our first step, checking the math making sure all the calculations are done correctly, which here they seem to be. Then we look for any outliers that we might have questions about.

Moermond: Thank you, and before we go in and more discussion there were 2 documents that were attached, and one is this notice of rent increase above 3% with the DSI insignia on it. It looks like this is something you have prepared or perhaps someone else had prepared. I'm going to ask first, is this notice of rent increase generated by you folks?

Ferkinhoff: I believe that was because at the time in 2022 we were including a template that the landlord could use to inform the tenant of the rent increase.

Moermond: Okay, so not what's on the website right now but what was available at that time?

Ferkinhoff: Correct.

Moermond: Perfect. Second, I'm assuming this form was pulled off the City's website in 2022. This form was used for subsequent rent increases made under that 2022 decision, even though the date on this is March of 2023. They get to the approval comes in December, but it applies to leases that may renew in February, March, August, or whatever. The same form gets reused.

Monson: I think that's a fair assumption. I don't know specifically.

Moermond: Okay, we've got nodding heads behind you, so we'll go with that. I'm going to ask you Ms. Carland, I'm looking at this form contesting rent increase under the Saint Paul Rent Stabilization Ordinance, I'm wondering where it came from?

Carland: Is that written by attorney Alina Carl?

Moermond: It doesn't say there's no there's no attribution of who would have written it.

Carland: I don't know, may I see that?

Moermond: Absolutely, it's just not a form that I have come across before.

Carland: You know what? I think my independent living service worker, Fred printed it off the internet. Did you see this? Could it have come off the rent stabilization website?

Sass: That is not what the City provides.

Carland: It says on the bottom that it's on the DSI website.

Moermond: No, actually what it says is that the worksheet is on the DSI website. This letter is making a request that this worksheet (MNOI) be mailed and made available to you but this paperwork that you filled out isn't on The City's website. I ask because there are a couple of misstatements in it. I want to make sure that we are all clear because some of this is not right. The first thing, you don't have any paperwork with you today, so I'm going to recess for a moment. I think it's super important that you do have your paperwork in front of you for this. If we just paused for a minute were going run the printer. I want to note a couple of things here. The first thing I want to note is a mathematical error and that is in this particular document (MNOI) which would be attached to the appeal. It says that the rent increases 7.1%, right there. The actual increase that is being described later is a 7.6% increase. I want to be clear that there was a difference there. The implication for them not providing you with the maintenance net operating income (MNOI) worksheet. It says here you'll file a complaint with DSI. While that's all fine, there is no legal obligation for them to provide you with that worksheet. If it's under appeal, we will ask for the MNOI. But your landlord is not a government entity who must be forthcoming with every document that they have in their possession. You didn't write this, this is something that somebody gave you, and it's meant to trigger some action. This this is what triggers action by filing an appeal and you're getting the conversation.

Monson: It looks like Homeline MN is putting this form out.

Moermond: Thank you. I appreciate that information. Maybe DSI wants to follow up on that and provide them with how an accurate notification would look like. Maybe Homeline would want to share a link to the appeals form, which might be more effective. Also, it looks like this is a Homeline document as well, and there were inaccuracies in that about fees. DSI guidance says that fees should be included in rent. This is not something that DSI dictates, and we could not find anything in rules that said these things should versus these things shouldn't. Finally, the definition of rent is not quite what I think the City would say according to the ordinance. This isn't you putting this together, this is me saying that these folks can follow up with Homeline and make sure what's being promulgated is accurate. That being said, we have this request for a rent increase given to you in a lease and obviously you're in a position where you can accept it, say no I am moving, or appeal it and start this conversation and that would put a pause while this gets sorted out. But it may have a different rent increase, or no rent increase attached to it as a result of our conversation today. It might hit reset and move things this way. Now, I'm thinking based on what you said and what most people say here, that the rent stabilization ordinance is being appeal because, "rent in is increased beyond what's affordable way beyond 3% within a 12-month time period. I'm not protected by this ordinance if my rent went up by 8%, totally unaffordable. See attachment". For clarity's sake, and again, I don't think this is where you're coming from, maybe this was language that was provided to you. The proper venue for appealing the rent stabilization ordinance would have been at the public hearing. Whether or not, this ordinance says one thing or another, when it gets adopted by the Council, that's when they get it adopted. Whether your unit should be increased by more than 3% as an exception to the ordinance is based on the landlord demonstrating they need to in order to have a reasonable return on their investment. That's what this worksheet does (MNOI). Right now, if you are between and 3 and 8% rent increase (self-determination), the worksheet doesn't have to be provide it unless it's appealed. Then we can talk about these things and the math that these guys ran says it can be 14%, according to the math. We're still down here on what they've asked for and that doesn't change. In terms of affordability, I think one of the great difficulties is that advocates of the ordinance clearly intended that this cap would be a reasonable based on what the rent increase average, 3%, had been in years leading up to it. There have been so

many things in the past couple of years that have just tossed that number out the window, not the least of which is inflation. This was not envisioned when it was written, and yet it has been impacting people on how they do business now. That is incorporated into this worksheet that was developed. Mr. Sass, inflation it's in here?

Sass: Inflation is built in the worksheet.

Moermond: What is the rate of inflation that we're looking at here?

Sass: Between these 2 years it is 4.84%.

Moermond: Without looking at any other expenses whatsoever, we've got 4.84% coming out of the gates. That is really difficult when trying to think of the good that was intended versus the reasonable expectation that there are circumstances under which rent should be increased and everybody agreed. It isn't protecting you from a rent increase and it doesn't say anything about your ability to pay in the ordinance. Like if you are on a fixed income, for example, whether it's Social Security, annuity, or any other kind of thing. If the payer increases with inflation great, that's a protecting kind of a thing. If they don't, that makes it even a bigger squeeze. Same is true for wages, if your wages aren't going up because of inflation that's where folks are squeeze. Tell me a little bit more about what your rent increases have looked like in the past and where you are at now with things. Tell me a little bit more of your story and what brought you to this place to filing an appeal. You don't have to go into personal details. What's that background for? How you come to make this ask?

Carland: Well, I moved in December 18 of the 2020 at \$695 dollars on my lease and then it went up to \$725 a year later, on January 1st of 2021. Then I got a notice mid-January, 12 days before February 1st that if I don't give my notice by February 1st to move out my rent was going to go up to \$780. I didn't pay my rent right away. I think I waited the 10 days that was allowable before charge and to talked with people and to try and decide if that was legal or not to give me that short of a notice to decide, whether I had to move out, or stay with that rent increase. That only allowed me \$290 for the rest of the month. That \$55 of increase really hurt me financially, and \$55 might not be a lot to other people but that was a lot to me. If it's going to go up from now based on this hearing, I'm going to have to move.

Moermond: OK, I just want to have a clear understanding of where you were at and what was going on. Also, one other question and we can go light on the minutes for this, it sounds like you have a social worker that you work with, and who's been providing some assistance to you in this. Do you feel like you have good information on other resources that can help you, whether it is snap or food shelves or caddy waivers or other kinds of things that can lift you up. Do you feel like you have a good support system established or that there could be done more to make sure that you're being taken care of by what's already available?

Carland: That's a good point. I do have a CADI waiver and I do have SNAP, but I don't qualify for the cash SNAP account.

Moermond: How about health insurance?

Carland: I do have that.

Moermond: I wanted to cover those bases because I know that those kinds of expenses really push on those dollars that are left over after paying rent. I wanted to make sure that you were aware or plugged into resources.

Carland: I also have a dog, very expensive.

Moermond: I'm not sure what kinds of organizations there are out there. But I'm thinking that there is somebody out there and that the Humane Society maybe be able to plug you in for people who have animals who are having trouble. For example, paying for food or veterinary services that might be also something that can help, and we can try and work with you, to see if we can get something like that.

Carland: I have a pit lab mix.

Moermond: What I'm going to say is let's get the Humane Society. Ms. Romero can reach out to them and find out if they're aware of any programs that could help with dog food and veterinary expenses that might help you as well. Just knowing that no matter what happens today, those are expenses that are pushing on your amount of income, which is here in kind of locked. Hopefully that will ease a little bit of the burden that you're looking at. All right, you folks that bought this building. Mr. Monson tell me a little bit on your clients. They just purchased this building and it sounds like at the tale of 2019.

Monson: I think so, either 2019 or early 2020. It was October of 2019.

Moermond: Tell me a little bit of where you all are at with the rent increases, you did the math. It's a new acquisition. I'm just looking at the expenses, and there were a couple of things that I did notice that looked a little bit different, not that that's a bad thing. This is a building that just turned over. For example, insurance appears to be dropping dramatically from 2020 to 2021.

Monson: A little bit behind the scenes. We have a much larger organization that we are affiliated with. Part of that, we have commercial real estate all over the country. We are based in Eden Prairie. We have a very large Mid-West presence.

Moermond: Can I pause? I'm sorry, I interrupted. When you say commercial real estate, do you mean investment real estate that is inclusive of what we would consider residential, as well as commercial retail, manufacturing, other kinds of real estate?

Monson: That's right. Apartment buildings, shopping centers, high rises.

Moermond: You own land with buildings on it?

Monson: Yes, land with buildings on it. We have different groups that manage different aspects. One aspect of our business is multi-family. We own various types of apartment buildings, large, small. This is obviously a much smaller side for a larger commercial, at 7 units. One of the things when we look at any rent increase, we often struggle. We are trying to balance 2 different sides of the equation, we want to provide a good product, and we want to make sure that these buildings are kept up to date. We've all seen the horror stories in the news when landlords fall behind and are not in that scenario at all. We try to make sure that we're staying out in front of capital expenditures, deferred maintenance and just some of the things to keep the buildings coming along. Now, the buildings are in varying degrees of condition. I mean, the rents reflect a building that was built in the 1950's, there's no swimming pools or anything like that. But we keep them clean and operable and functional. As part of that, though, there are expenses and things that come along with that. I mentioned a large organization because you brought up concern of insurance. Because we're part of a much larger organization we have the ability to purchase insurance at much cheaper rates than your average landlord might. That's usually a good thing.

Moermond: I don't know how that could be a bad thing.

Monson: That's probably what's reflected in the drop in insurance coverage, that is my guess. Sometimes we will place a policy for a short period of time when we buy buildings and then work behind the scenes to get the policy updated, to the point where we are comfortable with it, and it fits in our bigger portfolio.

Moermond: I'm thinking that you've achieved some scale of economy with all of your holdings, where just the regular maintenance of the building is more cost-effective than it might be for someone who just owns one building.

Monson: Arguably, yes, we have a team of engineers and maintenance staff, and they may service to 3 or 4 buildings. Where if you were doing it on your own, you're either doing it on your own or you're hiring contractors and service workers to come out there typically on a more expensive rate, then when you just hiring someone on a one-off basis. There's a much higher obligation to keep these folks employed, basically make sure that we're turning enough profit to make payroll.

Moermond: The gross scheduled rent income, looking at it from 2020 to 2021, there's a reduction in that from \$96,108 to \$82,000 and that's on page 6 (MNOI) . There was a portion attributable to vacancy. Was there something happening that these units needed to be vacated, or that had been vacant and you were doing some work on them? Sometimes we see transitions like the landlord told us this is a bad situation where there's police calls or whatever, you know. There are differences there that are noticeable.

Monson: David, you may need to join us. But I believe that the primary attribute here is that there was vacancy when the building was purchase. I think that's reflected in the first column. To address those vacancies, I believe rents were pushed down so that we can lift up the occupancy of the building. That's why we're at 82 versus 96. But with a lower vacancy going for a more stable building.

Moermond: Every single unit in the building was at \$695 and pushed to \$725, in the last cycle. It looks like the whole building experienced that same thing.

Carland: As far as I know. I'm the only one that got the \$780 rent increase.

Moermond: OK, so from the \$725 to the \$780 that was the next year because you gave me that older cycle. When you increased the rents, was it the same increase across the units or did it vary if you were doing improvements in a particular unit, or how are you thinking that?

Monson: it was uniform across the border.

Moermond: So, everybody got the same rent increase, and Ms. Carland you are saying no.

Carland: Yeah, I talked to 2 different tenants, and they said no, they did not get the increase letter. They're not paying that amount.

Moermond: Are they paying the old amount?

Carland: Yes.

Moermond: Is this because their lease cycle might be different than yours? Like,

you renew March 1st, and they renew May 1st or something.

Carland: No as a matter of fact, one moved in the month before me, and one moved in the month after me and we have the same lease for \$725. That's what made me really angry, and that's what made me file the appeal.

Monson: We were not aware of that.

Moermond: OK, do we have somebody who has information on that?

Carland: We all have the same apartment, the same layout.

Peterson: I can speak more on that.

Moermond: Why don't you come on up to the mic and give your name, please.

Peterson: I am Shanelle Peterson. I could maybe speak more clearly if I knew who she was speaking about. I know that the people that I moved in last year are paying more for their lease than they originally signed. They moved in for \$750, instead of \$725. We are giving that person a year before they get their rental increase and then somebody else receives government assistance, so we are locked into that lease term until 60 days before that needs to be renewed and then she'll get her letter.

Carland: I can't say for sure that I can verify that with the woman that I'm talking about, but she did say that she was paying \$700 and something and I don't know if the government was helping her with that. I know for sure that the gentleman that moved in after me told me that his assistance is paying the full amount of the rent for him.

Moermond: I want to hit pause on this for a second here. I'm hearing that these units may be considered affordable under the new ordinance and exempted. Tell me a little bit about this application for rent increase that was made in December. Is there in the ordinance any provision about how long one must wait before reapplying to increase rent? If I apply in December of 2020, when's the next time I can apply to increase rent?

Sass: Well, applying and put in place are different I suppose. You could apply once that year rolls over because the current year would change so in December of 2020 you could be using in theory 2018 and 2019 as your based and current year. So, when January of 2021 comes around, you would now have in 2019 and 2020, income and expenses to look at to compare. You can apply but your rent increase would be implemented in a 12-month rolling period. If you are approved for 8% in January or in December of 2020 and you implement that in January of 2021 you still can't implement another rent increase up to that cap until the following year on that set unit.

Moermond: I don't think we have landed the plane policy-wise yet on whether subsidized units would qualify as affordable under the definition of affordable in the ordinance. Here's where I'm going with that, landlord collects the same amount of money regardless of who is paying the rent. Is it considered affordable for the market? Not really because other people coming in would pay the same amount, no matter who's writing the check for it, as opposed to some place where like an entire building gets written out a little bit because of a tax credit or something else going on. I am saying we haven't landed the plane on how I think that should play out with rent increases as they work with people who get rental assistance. I'm going to just say, it will be looked at when it comes up and there's rules. So, if I'm getting, for example, a

Section 8 Certificate, not only do I have my lease with the landlord, but there is also a contract with, if it's a Saint Paul's certificate with the Public Housing Agency. There's the agreement here and the agreement there and expectations around both of those. You're right, there's different rules that apply and additional rules that apply, maybe that's a better way to say that. Is that what it feels like experiencing on the landlord side, would you add anything to that at this point?

Peterson: I just want to state that when she mentions a rent pay that's still coming from somebody's bank account. That tenant is paying that amount, but somebody made sure that the rent is paid on their behalf. They just have access to that person's bank account that's coming out of that tenant's income every month.

Moermond: You had mentioned, Mr. Monson, that you were coming at this with an open mind. I don't want to put words in your mouth. Do you want to have a time to talk about rent increases with this individual tenant Ms. Carland, now or later?

Monson: Yes and it can be a broader conversation. The reason there's so many people here today is because we're all learning this process. How appeals are going to happen and what are the ramifications is one of the questions we had? I don't know if we have an answer for this, but when we have an appeal such as the one, we have today for an individual unit, are we talking about that unit or are we talking about the broader exemption? Because they are two very different things.

Moermond: They are 2 different things, and here's where I'm coming from when I look at this. If you had filed for a rent increase of 14%, you would have been granted a rent increase of 14%. A rent increase up to 8% was requested and you clearly met the criteria. You are qualified to increase their rent to the full 8% that you asked for, there is no difference that way. You have been approved and the math, even if there is a small math error or we wanted to talk about office supplies or some little thing that's very substantial increase, is allowed under the ordinance and we're not there. Does that answer your question?

Monson: I think it does. That's why this is a good building to have this conversation. We have 7 units to talk about and it's a significantly different conversation when there's, you know, 200-unit building. I did mention this, we're going to be flexible, and I think that we can work something out where we can address the rent with Heather. That can take the form of either an agreement we can come up with today or a recommendation. I don't think we're going to object if you recommend that you grant her appeal. We realize there's a human element to owning real estate more than just the numbers and with a fixed income, we want to be mindful of it. Heather has been a great tenant of ours.

Moermond: Two comments on that before you go further. Comment number one, if you don't increase her rent you are opening a door for yourself in the future to use what we're calling a just cause vacancy. This means that when the unit turns over, you will be allowed an extra rent increase for that unit. That is the intention that landlords can continue to work with tenants who are good tenants, if that is what you want to do. Second thing, and why I am bound by the ordinance and not my heart strings, if the ordinance says it's allowable, I'm afraid I can't go in and say it feels like you should be given a break on this. This is something that it is in black and white from the beginning with the ordinance that this would be an allowable approach and we just apply the math and it's like paying your taxes. The formulas work out the way the formulas workout and we have that. Can the landlord go down? Absolutely. Before we go further because I think this is an important point about not increasing in some cases. I'm going to turn it over to DSI staff. Describe how just cause vacancy applications are handled?

Ferkinhoff: Basically, just cause vacancy is a situation where the tenant leaves of their own volition generally, that's the vast majority. There are other provisions but the vast majority of them that we see are tenants leaving on their own volition. For example, they now work in Minneapolis, so they want to be closer to the workspace, that kind of a thing. If the landlord has a letter or some other piece of documentation that they are willing to share with The City, that says this person left of their own decision and it's signed by that person. Then after the vacancy happens, you're allowed to increase the rent by the Consumer Price Index and plus 8%. CPI right now is 7.45%. The landlord would be allowed a 15.45% rent increase just looking at one year, just this year. The CPI is updated annually.

Sass: It would be 7.45%, which is the difference in CPI between the 2 most recent completed years, between 2021 and 2022. Next year it will be the difference between 2022 and 2023. It will be just whatever this year's was plus 8%. It's not compounding, we are not going to keep adding the CPI.

Moermond: Not compounding is just the last year CPI plus 8%. There is a bonus given and it's not an insignificant bonus to be able to pull that unit rent back into alignment. That's a given that somebody can do that with the just cause vacancy. If they are filing, for example, on behalf of the entire building asking for, say 5% and they're cleared. You've got the numbers to show you can increase rent at least 5%. How is that handled in the context of the just cause vacancy formula.

Sass: Currently 2 separate processes.

Moermond: So, would it be a 5% increase on top of what they're already allowed under just cause vacancy?

Sass: Correct. The 2 separate situations where the MNOI is based on the operations of the building where the just cause vacancy, to kind of meet in the middle on decontrol over vacancy.

Monson: Another option I would suggest, and we can chat here, we could increase the rent and then signed a rent-abatement agreement. That may be more semantics. In that scenario, the rent would go up to \$780 but we have signed an agreement saying "you have been a great tenant and if you continue to be a great tenant and don't default, we will abate \$50 or whatever the number is per month". In that scenario, the rent increase is real but we're just not pursuing it.

Moermond: How does Ms. Carland experience that on a monthly basis come the first of the month? It sounds like the 9th of the month before a late fee would kick in. What would she be writing a check for?

Monson: She would be writing the check for the reduced amount. The agreement would say that as long as she paid \$725, we will abate \$55 of your rent. If you default in the future, we do reserve the right to collect this amount.

Moermond: By default, how do you define that, what does that mean?

Monson: There is a couple of different things. There is monetary default, when people just stop paying and that's straightforward. There's a concept of materiality in residential leases when we're talking about default. For example, says you got to turn your lights off at 10 o'clock, I'm just picking up random example, there's not a court in Ramsey County that's going to do anything about that if a tenant does not turn their light off. But let's say a lease says you're going to remain law-abiding and you have a

large criminal enterprise that takes up shop in you apartment. I think we could tie it to some sort of materiality. As long as there's no material default or uncured monetary defaults, we are meeting in the middle so that we're getting the benefit of the exemption, which you know, at the 8% I think its supported relative to the 14% of what could have been requested. We are finding a middle ground, so we are not detrimentally passing it to someone, and taking into account just how there's personal circumstances for this particular instance.

Moermond: I want to ask one question to staff about this. How does that impact the just cause vacancy analysis, or does it impact at all?

Sass/ Ferkinhoff: It would not.

Moermond: Perfect, so it is the same as if the lease were at a lower rate because you can take into account that abatement clause and doesn't screw you up at all.

Sass: The lease is entirely relevant for the just cause vacancy unless the tenant has been non-renewed for some kind of material breach. Even then, the monetary value on that lease is entirely separate from the just cause vacancy process.

Monson: A naive question, but if Heather just moves out and we'd sit on the scene for 7-8, months, do we have to come back to the city to the set a rent for that unit or at that point is that just a vacant unit?

Sass: Technically, the ordinance doesn't have any kind of look back period. Whatever the rent is when Heather moves out that's what the rent is. Looking forward as far as the city is concerned, it is how the ordinance is written currently. So, even if its vacant for a year the ordinance would still say that's the rent that we should be increasing based on.

Monson: So, if a new tenant came in, for example, and it was just a random number \$780, and it was vacant for a couple years, the market change and we listed at \$1,200, that would be likely a violation. That tenant could come back and say no Heather's lease was...

Sass: Correct, that technically would be a violation because there's not a look back period to the ordinance. The ordinance says once the rent is set that's what the rent is currently, unless you're applying for increases are going up to 3% yearly.

Monson: That was our general understanding, so that's part of why I think framing it in the context of capturing the increase but having some tool to provide some flexibility and some reprieve.

Carland: I have a question, if that unit was vacant for 2 years and it was \$780, and you said that the cost of inflation was 4.8% and the cap is 3%. How is that good for the landlord?

Sass: That's why the exception exists.

Moermond: The landlord is still going to have to apply to be able to get more than that 3%. We're going to be in the same process we're in right now. They can't go up at all beyond the 3% without getting approval from The City.

Carland: They will be doing the math like we're doing now. They've got approved for the 14% instead of the 3%.

Moermond: That's correct, they could have done 3% and not talk to the city at all. But you want to go more than 3% you got to go to the city. It's between 3% and 8% it's the self-certification, you've just experienced that. They run the numbers, for example, if your landlord said I want to increase 15% we will look at it and say, no its 14% and we have had those experiences where landlords have said I want to increase this much. The math just isn't working out and according to the ordinance, you can't do that. You can go this high, but you can't go that high. I won't go into details on how that happened. But that is another thing that can happen.

Carland: Okay. Did I hear you say at the beginning that they can't come here unless someone like me appeals?

Moermond: Well, there's 2 things that can happen. They can apply for rent increase and get what they want, or they can apply for rent increase and not get what they want. If they don't get what they want, they have the right to appeal that. If you as a tenant get notification of rent increase that's been approved, you have the right to appeal that as well. There are both kinds of things that could really be happening at the same time. The landlord could want to increase more and I'm guessing that they wouldn't send out notifications. But both of you have the right to appeal. It sounds to me like there could be an agreement between you folks that meets your needs, and you are both willing to look at that, I'm heartened to hear that. You have no obligation whatsoever to tell me about any agreement that you arrive at between you folks. As you can tell, the math works out that you're going to get the percent allowable increase. I'm glad you're willing to have this conversation and to make accommodation for these circumstances for Ms. Carland that makes her perhaps unique in the building. However, you look at that in her circumstances, you would do this particular thing. You are not obligating yourself to do this for the other 6 units. This is just her right now we're talking about, if you want to update me, I am fine with that. I would just put a note saying they worked it out. But anyway, again, you're not obligated to tell me anything, none of you are. My obligation that I committed to was to get back to you on resources that we might be able to identify that could help with pet care, I'm committed to do that. Also, we will get you some information from the House Calls program. They work with people in housing crisis; however, you are not in housing crisis. What they do have is an incredible network of people that they can refer you to. They work with people who need energy assistance, they work with people who need the caddy waiver, or with seniors that might need legal assistance with their estate. I mean, they know people, and I think it would be good for you to have their brochures that if things come up you can plug into some of these things that you might not have otherwise been aware. I want to get you that as well. We'll get that to you as follow-up information. We can send the link to their website or on paper. We will commit to do both of those things. I'm sorry that I couldn't say that you would have an exception because you do have things that are pulling my heart strings here. I'm not able to do that, but it sounds like your landlord is able and willing to have this conversation with you. You are welcome to keep the room or to talk however you want to do that. If there are no other questions I'm just going to adjourn for the day. Thank you.

Appeal denied.