Appeal Argument — Line 2 Interpretation and Parallel Treatment:

In the Matter of the Rent Stabilization MNOI Appeal
1640 Edgerton St., Saint Paul, MN 55130
Appellant: Robert Fox

Background

On June 27, 2026, the Department of Safety and Inspections issued a Staff Determination approving a 14.80% rent increase for the above-referenced property. The Appellant's MNOI worksheet, prepared in accordance with the City's guidelines, supported an allowable increase of 23.12%. The difference arises from a single methodological dispute concerning the treatment of Line 2—Portion Attributable to Vacancy—in the Current Year income calculation.

The Line 2 Dispute

The Appellant's Line 1 reflects the monthly rent in effect on January 1, 2025, multiplied by 12: $2,600 × 12 = $31,200. This figure is undisputed. The Appellant's actual 2025 rental collections, excluding the last month's rent application, totaled $27,400—producing a Line 2 shortfall of $3,800.

DSI staff calculated the Line 2 shortfall as $1,200, treating the $2,400 last month's rent applied to June 2025 as current year rental income, and attributing only the $200/month × 6 month concessionary rate reduction as the vacancy-attributable shortfall.

The Appellant respectfully submits that this treatment is incorrect for the following three reasons.

Reason 1: The Form's Instructions Do Not Distinguish Between Types of Shortfall

The heading "Portion Attributable to Vacancy" does not distinguish between shortfalls caused by physical vacancy and those caused by actions taken to avoid vacancy. In both cases, the landlord fails to collect the full scheduled amount shown on Line 1. DSI staff acknowledged in correspondence that the administrative rules contain no explicit guidance on how Line 2 should be treated in the case of a mid-year rent reduction. In the absence of explicit rules, the broader interpretation—capturing any gap between scheduled and actual income—is equally valid and more consistent with the form's purpose of accurately reflecting a landlord's net operating income.

Reason 2: The Mid-Year Rate Reduction Was a Direct Consequence of a Just-Cause Eviction

The concessionary rate of $2,400/month implemented July 1, 2025 was not a voluntary market-driven decision. It was a direct consequence of a court-ordered eviction (Case No. 62-HG-CV-25-372), extraordinary remediation costs, and the need to minimize vacancy losses following that eviction. Treating a distress-driven rate reduction differently from a traditional vacancy produces a result that understates the financial impact of the eviction on the Appellant's net operating income. Furthermore, the City's methodology as applied would inadvertently favor properties left vacant and languishing over those quickly restored and made available as stable, responsibly occupied housing for members of the community at a temporarily discounted rate—an outcome contrary to the City's stated housing stability objectives.

Reason 3: The Last Month's Rent Should Be Treated Consistently With the Security Deposit

The attached ledger for the prior tenancy (Ms. Rowe) demonstrates that the last month's rent and the security deposit were collected under virtually identical circumstances:

- The obligation for both arose at the inception of the tenancy in August 2024
- Both were held in escrow throughout the tenancy
- Both were applied to their designated purposes upon termination of the tenancy in 2025

Unlike the security deposit, which was collected in two payments within two days, the last month's rent was a contested debt collected in installments over five months from August 2024 through January 2025—making it even less appropriate to characterize its June 2025 application as current year rental income, as the underlying obligation was substantially fulfilled in a prior year.

DSI staff correctly excluded the security deposit application from 2025 income, recognizing it as a prior-year collection applied to offset losses. The administrative rules explicitly address security deposit treatment in this manner. Yet the last month's rent—collected under virtually identical circumstances within the same time period—was treated as current year rental income. This inconsistency requires a principled distinction that does not appear in the form's instructions or the administrative rules.

In practical terms, the last month's rent functioned as a deposit held in escrow throughout the tenancy, economically indistinguishable from the security deposit. To treat them differently for income recognition purposes produces an arbitrary result unsupported by the governing rules.

DSI staff acknowledged in correspondence that "the administrative rules are not explicit" on this point, and that the LHO has "additional discretion in evaluating the circumstances presented" beyond the constraints under which staff operate. The Appellant respectfully submits that this is precisely the kind of circumstance for which that discretion exists.

Requested Relief

The Appellant requests that the Legislative Hearing Officer recommend revision of the allowable rent increase from 14.80% to 23.12%, reflecting a Line 2 shortfall of $3,800 consistent with the treatment of the last month's rent as a prior-year collection rather than current year income.

Respectfully submitted,

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