Department of Safety & Inspections
Staff Report
Rent Stabilization Appeal

195 South Dunlap Street - Unit 6 and Unit 23

On January 29, 2025, the Department of Safety & Inspections received a self-certification application for an exception to the 3% rent increase cap per ordinance 193A. The application includes two properties - 195 South Dunlap Street and 215 South Dunlap Street. This appeal is for two residential rental units - Unit 6 and Unit 23 - located at 195 South Dunlap Street. The two buildings combined include 46 rental units.

The intake form is part of the record and Patty Jansen is listed as the applicant. Ms. Jansen represents Mid Continent Management. She submitted the application on behalf of L & O Realty Company LLC, a Minnesota Limited Liability Company (the owner of the building).

The application proposes a rent increase of 7%, with the increase being applied on March 15, 2025. The applicant indicated on the intake form that the increase will apply to the entire building and will be consistent across all units. The reason for the increase listed in the application is, "An unavoidable increase in operating expenses." The application notes that double-digit increases in property insurance costs, and payroll and benefits costs are contributing factors. For example, in a separate email, the applicant noted that property insurance costs increased by 31% in 2023 (due to market conditions) - a 66% increase over 2019 (Base Year) costs. The separate email also noted that property taxes were 12.6% higher in 2023 than in 2022.

In that same email, the applicant notes that:

- An increase letter was not sent to the tenants as appeals were filed by the tenants within the 45-day window allowed by the Rent Stabilization Ordinance.
- The current lease for Unit 6 expires on August 31, 2025 and the current lease for Unit 23 expires on July 31, 2025.
- Renewal offer letters are sent mid-month 75 days prior to lease expiration.
- The property has a history of implementing modest rent increases for Unit 23, almost always less than 3%, even before the Rent Stabilization Ordinance was implemented.

Staff acknowledges that the applicant received an old version of the Maintenance of Net Operating Income worksheet or "MNOI" through the automated application process. Staff is working to correct this problem.

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For self-certification, applicants are required to provide three pieces of financial information from the completed MNOI to calculate allowable rent increase percentage. The financial information requested and provided are shown in the table below:

Financial Information From MNOI	
Requested	**Provided**
Current Year Gross Scheduled Rental Income (GSRI)	$575,559.54
Fair Net Operating Income	$282,670.16
Missed Fair Revenue	$38,524.70
Allowable Rent Increase Percentage	**7%**

In reviewing the MNOI, staff noticed some math errors and inconsistencies. The inconsistencies found raise the allowed increase percentage beyond 8%. Please note that the actual Allowable Rent Increase for the self-certification process may not exceed 8% and may be less than 8%, depending on the financial information that was submitted.

Per the self-certification process, the rent increase exception was approved. On March 12, 2025, an approval letter was emailed to Ms. Jansen and a notice was mailed to all residents of 195 South Dunlap Street, including the tenants who live in Unit 6 and Unit 23.

A self-certified rent increase exception application was previously submitted and approved for 195 South Dunlap Street and 215 South Dunlap Street. The details of that application are very similar to the details of the application being appealed today. The primary differences between the applications include:

- **Application Date:** 10/30/23
- **Effective Date:** December 1, 2023
- **Current Year GSRI:** $566,970
- **Fair Net Operating Income:** $275,207
- **Missed Fair Revenue:** $101,766
- **Allowable Rent Increase:** 18%

The last Fire Certificate of Occupancy inspection for 195 South Dunlap Street took place on October 2, 2023. The property was given a Class A rating. There are no known code violations for this property.