



CITY OF SAINT PAUL
OFFICE OF THE CITY COUNCIL
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Marcia Moermond, Legislative Hearing Officer
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October 18, 2024

Daniel Oberhauser
296 Bates Ave., #8
Saint Paul, MN 55106

Jorge Sosa
296 Bates Ave., #9
Saint Paul, MN 55106

VIA EMAIL: djoberhauser@gmail.com

VIA EMAIL: thatsosaguy@gmail.com

Re: Recommendation to the City Council on Daniel Oberhauser's and Jorge Sosa's
Rent Control Appeals for 296 Bastes Avenue, Apartments 8 and 9

Dear Mr. Oberhauser & Mr Sosa:

I have reviewed your separate appeals, other materials submitted and relevant codes and policies regarding the proposed rent increase for your apartments at 296 Bates Avenue. The appeal specifically pertains to the Department of Safety & Inspections (DSI) Determination to allow for up to an 8% rent increase for all the units in your building. Your appeals apply only to the units you occupy. Based on this review, I am recommending your appeals be **granted** by the City Council.

A summary of considerations is as follows:

- The application for the exception to the rent increase cap was made in August 2023 by an employee of Housing Hub, the property management company. The application was “self-certified,” meaning the proposed exception to the 3% rent control cap would be a maximum of 8%. Only simple information needed to be provided for the review of the application. The level of increase Housing Hub calculated they would be eligible for was 11.69% increase – were the application to have been made through the staff review process. Therefore, they indicated they qualified for up to the maximum 8% increase requested in the application.
- Arguments were presented indicating a rent increase above 3% was in contradiction to the will of the voters expressed on the ballot measure. Based on the ballot language, it is clear that the intent was both cap rent increases at 3%, but to also allow for rent increases to allow for a reasonable rate of return. The exact ballot language was:

Question Language: Should the City adopt the proposed Ordinance limiting rent increases? The Ordinance limits residential rent increases to no more than 3% in



a 12-month period, regardless of whether there is a change of occupancy. The Ordinance also directs the City to create a process for landlords to request an exception to the 3% limit based on the right to a reasonable return on investment. A “yes” vote is a vote in favor of limiting rent increases. A “no” vote is a vote against limiting rent increases.

- The property received a “B” rating in April 2022 from the Fire Certificate of Occupancy Program December 2022. A complaint was called into the City in January 2024 regarding a leak from one apartment into another causing ceiling damage. It was resolved in April. The nature and severity of reported violations does not justify ineligibility to receive an exception to the rent control cap.
- In order to see more detail on why the building qualified for up a maximum 8% increase, I requested that Housing Hub submit the Maintenance of Net Operating Income (MNOI) worksheet used in preparing the all self-certified application. Thi MNOI worksheet is to be retained by the applicant, but is only rarely required to be submitted for city staff review. Requesting the MNOI worksheet is the rule in Legislative Hearings, rather than the exception.
- The MNOI worksheet submitted indicated the building would qualify for the maimum 8% increase. This was based on the calculation that if there were a staff review process, they would qualify for up to a 27.04% increase – the original application indicated this number was 11.69%. The significant difference in these calculations indicates to me there were substantial errors in one or both of the submitted calculations. This was brought to the attention of Housing Hub staff. While willing to work on revising their MNOI worksheet, they were perplexed as to why this was required, given both of their calculation qualified them for an increase in rent of up to 8%. My assessment was that this substantial difference brought into question the quality and veracity of the submitted materials. Additionally, the appellant had only the benefit of reviewing the initial application, not its revision – which should have simply provided a more granual view of the analysis leading to the 11.69%.
- A revised MNOI worksheet was submitted. However, the worksheet did not correct the previously submitted figures, which used 2019 as the base year and 2022 as the comparison year (as the application was submitted in August 2023). The new worksheet used 2023 data, fundamentally altering the application DSI used to determine the property qualified for up to an 8% increase.
- The third set of numbers from Housing Hub, which used 2019 as the base year and 2023 as the parison time period indicated that if a staff review were to have been performed, they would qualify for a 37% increase in rent – also allowing them to qualify for the 8% requested increase from their August 2023 application.

Given the inconsistency in the data used to justify the increase, and the “correction” being made by changing the time period used for comparative purposes, I am recommending that the City Council grant your appeal.

This matter will go before the City Council at a Public Hearing on Wednesday, October 23, 2024, at 3:30 pm. in Room 300 City Hall. If anyone is contesting my recommendation, they may:

1. Appear in person (please arrive before 3:30 pm and check in with staff outside Council chambers upon arrival) or
2. Address the Council directly by phone by registering no later than noon on Tuesday, October 22, 2024 using this link: <https://www.stpaul.gov/departments/city-council/city-council-public-hearing-live-testimony>.

3. Send a written statement for your appeal by emailing rentappeals@ci.stpaul.mn.us.

If no one wishes to contest, the Council will proceed with my recommendation above without discussion. If you have any questions, please call the Appeals Line at 651-266-8585 or email rentappeals@ci.stpaul.mn.us.

Sincerely,

s/s

Marcia Moermond

c: Mathias Branton, Ryan Harrison & Ben Herding at Housing Hub, 351 Kellogg Blvd.
VIA EMAIL: mathias@housinghubmn.com, ryan@housinghubmn.com &
ben@housinghubmn.com
Department of Safety & Inspections Rent Stabilization Staff

REFERENCES:

296 Bates Ave., Unit 8 Appeal:

<https://stpaul.legistar.com/LegislationDetail.aspx?ID=6897383&GUID=A8D9D256-ACA8-4168-A9F5-16ADAF5343CD>

296 Bates Ave., Unit 9 Appeal:

<https://stpaul.legistar.com/LegislationDetail.aspx?ID=6897384&GUID=FBB1679E-782A-48FB-B6B0-F1BD8FAC8B36>

Ordinance: [Title XIX - CONSUMER PROTECTION | Code of Ordinances | St. Paul, MN | Municode Library](#)

Rules: [RSO Rules for January 1-01-19-23.pdf \(stpaul.gov\)](#)