



## HOUSING AND LAND USE COMMITTEE **SPECIAL MEETING**

Wednesday, **April 13th, 2022** | 6:30pm

Visit [www.macgrove.org/participate](http://www.macgrove.org/participate) for Meeting ID # and password

**Please note: this meeting is being held remotely online via Zoom and will be recorded.**

Attendees: Jack Fei, Mike Moore (Chair), Art Punyko, Dave Pasiuk, Gene Johnson, Meg Arnosti (Secretary), Regina Purins, Tom Dietsche, Zak Yudhishtu, Zuza Pakula, Alexa Golemo (Staff), Heather Huffman, Colin Fesser, Cindy Radtke

Guests: Camryn, Chad McKenney, Elizabeth Frye, GGJag, Jim Young, Jon Kotch, Norman Segal, P, Paul Vijums, Peter Butler, Jen Wegner McKinnon, Marcia Lowry, Alissa Lein

### MINUTES

(6:20 – 6:30 pm Tech Check)

#### **Welcome & Introductions**

#### **Proposed Rent Stabilization Rules**

[www.stpaul.gov/departments/safety-inspections/rent-buy-sell-property/rent-stabilization/rulemaking-implementation](http://www.stpaul.gov/departments/safety-inspections/rent-buy-sell-property/rent-stabilization/rulemaking-implementation)

Jack Fei: summarizes his understanding: This is in response to the vote for keeping rent increases to 3% per year. The City has to put something in place on May 1 to start dealing with landlord exceptions. The draft we are considering is the proposed rules for landlords to follow if they want more than a 3% increase.

Tom: suggests working section by section and have votes by section. Draft that into a motion. Committee agrees.

Alyssa: Dawn Huffman and Gary cannot make the meeting tonight due to Gary's heart attacks. Can Heather vote as a proxy for them? This is a subject they feel strongly about.

Mike: there is no precedent for this, but committee can vote on this unusual circumstance.

Tom: Proxy voting should be addressed in the future. Moves to vote on this one case without setting a precedent, committee approves Heather as proxy voter for Dawn and Gary Huffman.

Jack: does this mean each of Heather's votes would be counted as 3 votes? Answer is yes.

Cindy Radtke: We should have a policy long term, because there are absences often.

Mike: Cindy should make a motion about the board addressing this issue.

Jack seconds the motion by Tom. Passes 8-0, 2 abstentions.

Cindy: Motion: HLU recommends to the MGCC Executive Committee and the Board of Directors to take up the issue of proxy voting in committee meetings and the conditions therein if allowed, examining how to make a policy. Passes 13-0.



Two-minute limit on comments.

**First Section: Maintenance of Net Operating Income Reasonable Return Standard.**

Tom: Change 3A to say the calendar year 2019 or the landlord's most recent tax year shall be the base year. 2019 is too far back to be a reasonable base.

Heather: The base year should be commensurate with the most recent market value of the building. 2019 is a very poor year to use as a base. Cost of building materials changed dramatically since then.

Jim Young: 2019 could actually be beneficial to the landlord because using a base on a lower number means a higher increase, which could justify a proposal for higher rent increase. Need to understand the intent behind the language.

Colin Fesser: Thinks 2019 is a reasonable year to use.

Art: Base year includes expenses, income and rent. 2019 is the last year before everything went to hell. Agrees with Colin.

Gene Johnson: Consumer Price index in 2019 was 255.7 CPI in 2021 was 271.0. Does that mean landlords could ask for that ~8% as a rent increase? Or is only a 3% increase allowed?

Jack: Notes that his understanding of the language is that landlords could increase the rent up to 3% without going through an exception. For more than that, they would need to submit information to the City to justify the amount.

Heather: How easy is the variance process to navigate, if English is not your first language?

Art: Make sure everything is translated into various languages. If it is too complicated, then we need to peel that apart.

Camryn, Community member, adds the renter voice: It is important to think about the process that low income or non-English speaking renters have to go through if they want to contest an increase greater than 3%.

Jack: This really burdens the small landlord, which is the majority of the landlords. We should simplify the process for people owning fewer than 3 properties so they don't have to go through tons of paperwork.

Colin: Happy to hear about concern for language barriers.

Tom: Toward the beginning, add a sentence: a reasonable ROI should be no lower than 8%. This would make it easier for small landlords.

**Second Section: Capital Improvements.**

Tom: Page 11: Exclusions from expenses. The interest you pay on the mortgage, amortization and depreciation should not be excluded from expenses.

Art: B section 1: Fifth paragraph: They say that after capital improvements the rent should revert back after a period of time, which seems unreasonable. Some value should be retained by improvements. Strike or amend this language. Disincentivizes improvements to the property.

Tom: Regarding amortization periods for different kinds of property. Remove and replace by a simple statement: amortization periods should be determined by schedules on owner's income tax. (see Tom's Notes in chat.)

Jack: agrees.

Cindy: Could put the charts an addendum.

Dave Pasiuk: Is this a document for only landlords, or both landlords and renters? Do the renters know this information? Renters should have information on how their landlords are figuring out what the rent should be. The language says renters can challenge rent increases, but renters must have information to do so.

Colin: This is the process for landlords to appeal, but a renter would want to know the information as well.



Heather: Everyone, renters and landlords alike, should have access to this information. This document is a barrier because it is so complicated.

### **Third Section: Changes in Number of Tenants**

Marcia Lowry: Can a landlord not charge more for a family of 4 than for a single tenant?

Colin: Subsection B seems to try to comply with ADA. Needs clarification about what they mean about caretaker/attendant.

Heather: We should step back and start with a general statement that we all agree that nobody should be extorted. This document is overwhelming. There must be a simpler way. The average individual reads below an 8<sup>th</sup> grade level. We have to think about those with the least know-how to access this process. There is only so much time you can spend reading government documents. There must be a simpler way to explain.

Cindy: Lawyers create government forms to avoid lawsuits. It is confusing for everyone. Not sure how much change we can expect.

Heather: Just because other government forms are complicated does not mean this has to be. We can ask for something simpler, clearer, easier.

### **Fourth Section: Changes in Space or services:**

Art: It seems as though there would be more business for lawyers in sorting out this language. The whole document needs editing.

### **Fifth Section: Pattern of Recent Increases or Decreases in Rent**

Art: They seem to be just defining what a pattern is.

Jim Young: Here is a common situation: the landlord does not raise the rent for 5 years because of a stable, long-term renter. When the renter moves, the landlord wants to put the rent at market rate. If only allowed 3%, the landlord is in a terrible spot. It should be 3% a year over the 5 years even if the landlord has kept the rent low. In other words, 15% should be allowed. Otherwise if 3% is the max, landlords are incentivized to raise the rent each year even for stable tenants.

Zak: Good rental policy should not be about having the good will of landlords. He questions what a sensible policy solution would be.

Heather: Is there a document from the City which commits them to making these standards possible to meet? The City should have limits on fees and charges they will assess to implement this.

Colin: City announced a \$74 million investment for 30% AMI housing fund. The history of this starts before last November. The City did have a clear tenant protection plan, which was abandoned by the City Council because landlords threatened to sue. This is an attempt to meet landlords halfway.

Tom: On the web page: the section that talks about the process for filing petitions. Suggestion for making sure the City responds in a timely manner (see language in the chat): After completing an intake form, applicant should immediately get a confirmation and the petition should be automatically approved if the staff has not replied within 60 days. Make sure City has staffed up properly to implement this.



Resolution should include:

- a. Need for simplification
- b. Here are some of the recommendations we received from committee members

Gene: The City threw this to us but did not send a representative to explain it. We are not able to make a solid recommendation.

Cindy: Resolution in chat. *HLU recommends that the City of St. Paul simplify the self-certification and staff determination processes and make the processes accessible to include the multiple languages as spoken by St. Paul residents.* Seconded by Dave.

Passes unanimously. 13-0.

**Adjourn**

*Minutes submitted by Meg Arnosti.*

### **HOW TO SUBMIT PUBLIC COMMENT TO THE DEPT. OF SAFETY AND INSPECTIONS**

Members of the public can participate in the public comment process by submitting feedback from April 7 through April 22 using any of the methods below. Every comment received will be part of the record for rulemaking purposes, and all community input will be reviewed and considered.

- Submit public comment through a [web form](#) available on the City's website.
  - [View the Rent Stabilization Proposed Rule Public Comment Web Form](#)
- Email public comments to [rent-stabilization@ci.stpaul.mn.us](mailto:rent-stabilization@ci.stpaul.mn.us).
- Send public comments via US mail.
  - DSI- Rent Stabilization 375 Jackson Suite 220 Saint Paul, MN 55101