



SPECIAL HOUSING AND LAND USE COMMITTEE MEETING

Monday, August 8th, 2022 | 6:30pm

Attendance: Mike Moore (Chair), Alexa Golemo (Staff), Colin Fesser (acting secretary), Art Punyko, Jack Fei, Kathryn McGuire, Colin Voerding, Gene Johnson, Catherine Plessner, Dave Pasiuk, Regina Purins, Heather Huffman, Patty Hartmann, Kate Baxter-Kauf, Nora Ptacek, Evan Hall, Kensey Lipstreuier, Tom Dietsche, Zuza Pakula, Gary Huffman, Dawn Huffman

Guests: Alisa Lein, Julie Kaupa

MINUTES

6:30 I. Welcome & Committee Process Overview

6:34 II. Overview of Rent Stabilization in St. Paul, *Art Punyko & Alexa Golemo*

The Rent Stabilization Ordinance (Ord 22-37) passed by referendum in November 2021 has been the subject of a stakeholder working group convened by the City, which has now made two sets of recommendations for amendments to the ordinance. Councilmembers Brendmoen and Tolbert have proposed their own amendments.

III. Consideration of proposed amendments to rent stabilization ordinance: *Ord 22-37 Amending Chapter 193A of the Legislative Code pertaining to rent stabilization.*

Rent Stabilization Working Group Report Out, Jack Fei, Working Group Chair

- MGCC Board approved the creation of the working group in the April 2022 meeting. That group began meeting in May.
- The stakeholder policy recommendations were released on June 7, and presented to the City Council on July 13.

Public Comment:

- Alisa Lein – Family owns a variety of multifamily properties in St. Paul. Not in favor of the rent stabilization ordinance. Believes the community was very clear on not wanting a new construction exemption. “Banking” rent increases will be very difficult to enforce. Doesn’t want the city to go through another law suit around just cause eviction protections after what happened with the tenant protection ordinance.

Committee Discussion:

- Art Punyko – Motion (Jack Fei, second) as per his attached suggestion: See below
- Heather Huffman – Devastated by the new property exemption increase.
- Colin Fesser – Does this fall short of the tenant protection ordinance, only applying to whether or not rent can be increased after an eviction? (Jack Fei – the intent is that you can only remove a renter for specific cases of just cause)
- Kate Baxter-Kauff - Is there a document explaining the legal justification that would allow the city to implement a 20 year new construction exemption given what the voters approved last year? (Alexa Golemo – after 1 year city council can make amendments outside of what the ordinance voted on dictates)

- Julie Kaupa – Why the change from 15 to 20 years? Who pushed for that change, how did it come about? (Jack Fei – CM Tolbert was a primary mover)
- Colin Voerding – Has anyone taken the time to define “new construction”? Would an existing landlord doing new construction be exempt? (Art Punyko – There is a definition in the ordinance. The exemptions are probably driven by mortgages on these buildings and paying back Tax Increment Financing)
- Dave Pasiuk – Concerned about the exemption. It’s unfair to smaller landlords to do this. The new projects going up aren’t owned by the original owner, they’re owned by investment groups. A unit after 20 years is worn-out and needs major renovations
- Evan Hall – 15-20 year exemption is welfare for large developers. If we want to incentivize smaller landlords and developers, there are ways to do that. Why isn’t inflation baked in along with the 3% cap? Are there provisions for high inflation? (Jack Fei – it was proposed, but not passed by the stakeholders) Are there any provisions to clarify utility payments? (Art Punyko – yes, that’s been added in the amended ordinance)
- Gene Johnson – You can depreciate properties over 27.5 years. The exemption term is probably based on the tax code.
- Heather Huffman – Getting an exemption on new construction on top of TIF makes an unlevel playing field.
- Regina Purins – The idea of big landlords getting exemptions of any kind “stinks”.
- Colin Fesser – Notes concern on the committee about the 20 year language in Art’s motion. Cannot support motion with that language included.
- Art Punyko – Would consider something other than 20 years, but finds the whereas statements from the city persuasive in arguing for a new build exemption of some sort.
- Julie Kaupa – Would like to pass the rest of the motion without the exemption language rather than leaving it open.
- Kathryn McGuire – Would like to propose a friendly amendment making TIF projects ineligible for new construction exemptions (Kate Baxter-Kauff – because of the language as written, that would need to be a separate vote)

Vote on Art Punyko’s motion (Jack Fei 2nd, including friendly amendment): 10-7, 2 abstentions. Motion passes.

Motion:

Whereas the current version of Chapter 193A of the Legislative Code was approved by the 53% of voters of St. Paul in November of 2021; and

Whereas the current implementation has been beset by issues and complaints by tenants and landlords; and

Whereas the current implementation has slowed the growth of new housing development in St. Paul,

Whereas, in June 2022, the Mayor’s rent stabilization task force recommended the following changes to the ordinance with 60% agreement:

- **A rent cap of 3%**
- **A provision for reasonable rate of return**



- A provision for the banking of preferential rents in some form
- A new construction exemption of 15 years
- Just cause eviction protections for renters

Be it resolved that the Macalester-Groveland Housing and Land Use committee supports the city council's proposed amendments to Chapter 193A in the following areas:

1. Section 193A.03 provides a significant number of helpful definitions
2. Section 193A.04 supports the rent increase cap of 3% and that rent increases greater than 3% do not take effect until the city's final determination is issued
3. Section 193A.06(a)(2) provides clarifications for a reasonable rate of return on investment (RROI). It also codifies utility obligations and the subsequent rent impacts to tenants.
4. Section 193A.06(a)(9) provides a method for landlords that demonstrate "deferred rent increase" over time to bank those deferrals and it allows them to apply a rent increase to new tenants (i.e. partial vacancy decontrol)
5. Section 193A.08 (c) provides a new construction exemption and it provides an exemption for non-residential buildings adapted to rental housing.
6. Section Sec 193A.06(a)(9) defines Just Cause Vacancies and it provides Just Cause eviction protections for renters.

IV. Consideration of additional amendments and areas of concern beyond those included in *Ord 22-37*

- Art Punyko - Motion (per his second attached motion, Kate Baxter-Kauff seconds): See below.
- Kathryn McGuire – Likes the idea of protecting against demolition, but confused about the language regarding it being built elsewhere in the city. (Art Punyko – the ordinance as written does not currently protect against anyone demolishing, rebuilding and calling it new construction. This is a compromise to not lose naturally occurring affordable housing). Would like to make a friendly amendment that developers getting TIF cannot get a new construction exemption.
- Art Punyko – Would rather say the council is concerned with developers receiving both the 3% exemption and TIF. Would not accept an outright ban as a friendly amendment.
- Discussion regarding text of friendly amendment regarding TIF
- Friendly amendment accepted by Art and Kate
- Evan Hall – Fourth point in motion seems unclear in purpose.
- Colin Voerding – Concerned about housing equity implications of third point in motion. Friendly amendment to strike final clause (Art and Kate accept).

Vote on motion as amended: 19 in favor, 0 opposed, motion passes

Motion:

Whereas the rent stabilization ordinance will continuously evolve to best serve the residents of Saint Paul, the Macalester-Groveland Housing and Land Use committee recommends the following future amendments to the ordinance:



1. **The city needs to further incentivize local-owned, small-business property owners to maintain and expand rental units.**
2. **The city should provide all necessary technical and process support for non-native English-speaking tenants and landlords to navigate the administrative processes.**
3. **In section 193A.06(a)(9) The ordinance should protect against the demolition of existing rental housing that is naturally occurring affordable housing (NOAH).**
4. **The city should incentivize privately funded, new construction in underserved neighborhoods and units with 100% energy independence by increasing the exemption.**
5. **The city should endeavor to prevent developers from receiving both Tax Increment Financing and an exemption from the ordinance for the same new housing and should evaluate the equitable considerations in affording both options before doing so.**

V. Adjourn

Minutes provided by Colin Fesser