

Rent Stabilization Rules – Feedback / Questions from CRC Development Review Committee and other District 17 residents

1. Questions about **A. Reasonable Return Standard (2)**: “A Landlord has the right to obtain a net operating income equal to the Base Year net operating income adjusted by **100% of the percentage increase** in the Consumer Price Index (CPI), since the Base Year. ...”

This seems to change the 3% limit on rent increases that was approved by voters, and instead applies a limit on the property owner’s net operating income, instead of on the rent payment (the check that a tenant gives to the landlord).

It’s also confusing because even though it doesn’t say “100% increase,” is the intention to make the limit EQUAL to the CPI, or DOUBLE the CPI?

Is Consumer Price Index the most relevant indicator for rent increases? Could the HUD Fair Market Rent Survey be another potential data source?

2. Comment on **A. (4) Adjustments of Base Year Net Operating Income (a) iii, “Other expenses were unreasonably high or low notwithstanding the application of prudent business practices.”**

That seems unnecessarily vague. Regulations can be changed as new information emerges or as unforeseen problems become known. This language makes it seem like anyone could make a case for exceptional expenses for an infinite number of reasons.

3. Questions about **A. (4) (b) Exceptional Circumstances in the Base Year**

Why is this language necessary? It seems like more of an accounting question than a policy question. If rent is \$1,500, and the landlord chooses to accept a lower payment (discounted rent) for any reason, that doesn’t mean that the rent increases when the discount ends. And if someone is paying \$1,500, and there is a fire or flood that requires significant renovations, or if there is a plan to update / renovate an apartment where the tenant stays somewhere else for a while, the rent doesn’t go down to \$0, I don’t think. I think the rent payments get waived, because the tenant isn’t living there. Finally, iii refers to a pattern of rent increases ... but if a landlord has chosen NOT to increase the rent for several years, whether that is based on the CPI or for any other reason ... why does that mean that a tenant must accept a rent increase that is larger than the CPI? Also, iv. states “**other exceptional circumstances,**” which could be anything, and seems unwise to include in these rules.

4. Questions about **(5) Calculation of Net Operating Income (a) Gross Rental Income (i)**

If a major renovation causes a 4-plex to go to a duplex, or vice versa, there would obviously be a change in square footage. It seems like it would be reasonable to apply the 3% limit to the square footage when a unit has been made larger. There are also references to owner-occupied units that seem unnecessary. If someone lives in a 4-plex that they own and have 3 other tenants, and the owner moves out and rents out their former unit, it seems like the owner should be able charge rent that is comparable to the other units. It’s unclear what problem this language is trying to address.

5. Question about **(5) (b) (vii) Landlord-performed labor.**

Why wouldn’t this be considered operating expense unless the Landlord “submits documentation showing the date, ...” etc.? Does the City have the capacity to monitor and enforce this for all rental properties? Why not require a building permit for all repairs to rental property, even if the landlord is doing the work? A landlord should be allowed to save some money by putting in new carpet or a new faucet instead of hiring someone. What problem is this rule trying to solve?

6. Question about **(6) Allocation of Rent Increases (b) Rent increases for building-wide or common area capital improvements must be allocated equally among all units.**

Why is it “equally” and not “proportionally” ... and why is this language even necessary? If a building contains units with a variety of floor plans, how is it fair, for example, to charge every unit an equal amount for roof or window replacement? Someone with a studio apartment on ground floor would pay the same as the person who has a 3-bedroom unit on the top floor. That seems unfair and unwise to require in these rules. (Same comment goes for **c. Rent increases resulting from Net Operating Income analysis**) Similar to previous comments, d. seems unnecessarily vague, because it seems like no matter what the ordinance / rules state, this gives the City permission to vary from the regulations “to ensure fairness,” but it doesn’t say fairness for whom.

7. Question about **(8) (a) Purpose: ... to protect Tenants from substantial rent increases which are not affordable** Isn’t this the main purpose of the ballot initiative? It seems odd to include this on page 5 of the rules.
8. Question about **(8) (b) Rent Increase Limit:** A common criticism of the ballot question was that 3% seemed arbitrary. Whether someone agrees with that or not, it seems like one purpose of these rules is to provide clarity and exceptions for situations where circumstances change. Why would 15 percent be added to the rules? That seems arbitrary. This whole subsection seems like it would be very difficult to monitor and enforce (and might be impossible).
9. Questions about **(9) Constitutional Right to a Reasonable Return:** Does this refer to the Takings clause of the 5th Amendment? Is it common to include references to the US Constitution in administrative rules? Why not move this to the top of the document, so that property owners and everyone else can know right away that everything else that follows can be ignored if a property owner can find a City employee and / or go to court and find a judge who will determine what is “reasonable?”
10. Questions about **(B) Capital Improvement Standard (1) Amortized Costs of Capital Improvements.** The committee spent a lot of time discussing this. Why would “ordinary repair and maintenance” (sixth paragraph) be excluded from “operating expenses?” We want people to live in housing that is adequately maintained. If someone lives in an apartment for one year and moves out voluntarily, and the landlord paints and puts in new carpet ... why not allow the landlord to recover those costs from the future tenant? Painting and carpet are included in the table titled Amortization of Capital Improvements and Expenses ... so what is the scenario where painting and / or replacing carpet is NOT considered “ordinary repair, replacement, and / or maintenance?” Also, many of the people who are engaged in our work would like the City to do more to promote energy conservation. We don’t see any language in these rules that encourages landlords to make improvements for energy conservation, and the rules might in fact discourage that.
11. Comment about **(B) Capital Improvement Standard (3) Allocation of Rent Increases:** Same comment as above, building-wide or common area improvements should be allocated “proportionally” and not necessarily “equally” among all units. If “proportionally” is imprecise, then I would recommend deleting all of this language. It’s hard to believe that a landlord would replace a roof or something and charge 100 percent of the cost to one tenant. Also, similar comment as above, subsection d makes it seem like a City employee could decide to do something completely different than what is required under these rules.
12. Questions about **(4) (a) ... “petition for an upward rent adjustment based upon anticipated future expenses ...”** ... this just seems like a good practice, and not one that needs a rule. A landlord who doesn’t set aside money for anticipated future repairs is commonly known as a slumlord. Why would this only cover anticipated expenses in the next 12 months? New windows and / or doors in an apartment building of any size could be very, very costly. It seems prudent that a landlord would spread those costs over time, because windows might last 20 years, so why would it be fair to ask tenants to pay 100 percent of the costs in the year that they are replaced?
13. Question about changes in the number of tenants ... we don’t know how these regulations are administered now. If I have a one-bedroom apartment, and after I’ve lived there six months, I start dating someone who

eventually moves in, or I let a friend or relative stay on my couch for a few months, or whatever ... do I need to inform my landlord so that they can increase my rent? If that's already in existing regulations, does that need to be repeated in these rules? Again, there's a cap of 15 percent, which seems arbitrary. Or is it standard that if a couple has a baby, for example, occupancy goes from 2 to 3, does the rent automatically go up 15 percent? (2) (b) seems to address that, but the City already has revised the definition of "family," so it's unclear why this language is included.

14. The committee also discussed **D. Changes in Space or Services (2) Decrease in Space or Services**. In Downtown Saint Paul, this is a HUGE problem. If one building cuts security, maintenance and other services, that often causes a detriment to the overall quality of life. For example, there are residential buildings that are connected to the skyway system where the lack of security and / or maintenance make it an outlier, so that someone goes from one building that is clean and well-maintained to one where litter doesn't get picked up for days, and sometimes there is also feces and / or urine that don't get cleaned up. A different problem is that people sometimes move to a building partly based on services that are promoted by the property owner, but the services either stop being offered or are never offered. That puts each renter into a situation where they need to object to the landlord, and ask for the rent to decrease. It's unclear if these rules address those problems.
15. As we have talked with renters in some buildings, some people have reported that their rent has increased by as much as \$200 / month. Is there any recourse for people whose rent has increased since the election?