



## **Rent Stabilization Rules Update- Effective January 1, 2023**

**These rules replace and supersede rules in effect from May 1, 2022 through December 31, 2022.**

For the definitions of terms below, see the ordinance language. The rules below are intended to clarify the ordinance language, not create new or different requirements. Each section of the ordinance has its own rules however, many relate to each other.

### **Just Cause Vacancy**

The provisions in the ordinance for Just Cause vacancy are to allow the owner to increase the Rent by CPI + 8% only after they can prove that the unit has been vacated for Just Cause. The provisions below cannot capture every situation.

Just Cause provisions (a) through (e) are essentially tenant-driven causes whereas provisions (f) through (j) are Landlord-driven causes.

#### **a. Non-payment of Rent.**

To qualify under this provision, Landlords have to prove that:

1. They have given the resident notice of non-payment of Rent,
2. the tenant still did not pay Rent, and
3. the Landlord is not pursuing an eviction action for non-payment of Rent.

#### **b. Repeated late payment of Rent.**

To qualify under this provision, Landlords have to prove that:

1. A tenant has made a late payment of Rent at least 3 times in a 12-month period,
2. Notice was given to the tenant that subsequent late payment was grounds for termination of tenancy,
3. The landlord gave the tenant notice to vacate as outlined in the Rental agreement, and
4. The provisions of the Rental agreement related to late payment and notice are provided to the Department.
  - a. The entire agreement does not need to be given to the Department. The Department is interested in seeing the clauses of the Rental agreement which pertain to late Rent payments and termination of tenancy.

#### **c. Material non-compliance.**

To qualify under this provision, Landlords must prove that:

1. The tenant had a material breach of the lease,



2. The tenant was given written notice to cease the continuance of the breach,
  - a. Notice shall include a date for compliance
3. The tenant continued a material breach of the lease,
4. The provisions of the Rental agreement related to the material breach are provided to the Department.
  - a. The entire agreement does not need to be given to the Department. The Department is interested in seeing the clauses of the Rental agreement which pertain to the breach of the lease and termination of tenancy.

d. Substantial damage.

To qualify under this provision, Landlords have to prove that:

1. The tenant willfully caused or allowed substantial damage to the property beyond normal wear and tear,
  - a. Photos and a narrative of the damage will need to be reviewed by the Department
2. The tenant was given written notice to pay the reasonable cost to repair the damage and cease damaging the premises,
  - a. The reasonable repair cost shall be provided to the Department for review
  - b. Notice to the tenant shall include a date for compliance
3. The tenant refused to pay reasonable costs of repair and cease damaging the premises.

e. Refusal to renew.

To qualify under this provision, Landlords must prove that:

1. The landlord requested that the tenant renew or extend the lease,
2. The tenant refused to sign a lease renewal and/or extension,
3. The tenant was given written notice to vacate as provided in the lease.
  - a. This notice cannot be less than the notice required in state statute for automatic renewal provisions ([Minn. Stat. 504B.145](#))
4. The provisions of the Rental agreement related to the lease renewal and/or extension are provided to the Department.
  - a. The entire agreement does not need to be given to the Department. The Department is interested in seeing the clauses of the Rental agreement which pertain to the renewal of the lease and termination of tenancy.

f. Occupancy by property owner or Family Member.

To qualify under this provision, Landlords must prove that:

1. The property owner or property owner's family member is moving into the unit within 90 days as their primary residence



- a. The Department may check after 90 days to determine the occupancy of the unit
2. If a substantially equivalent replacement unit is vacant and available, it has been offered to the displaced resident at a substantially similar Rental rate as the tenant's current lease
  - a. A substantially equivalent means a dwelling unit which:
    - Is decent, safe and sanitary.
    - Contains at least the same number of bedrooms and other living areas.
    - Is available at no more than 3 percent greater than or 10 percent less than a single month's Rent in the current unit.
    - Is located within the same neighborhood district; neighboring district options will be evaluated on a case-by-case basis.

Perfect comparability is not required. It's the intention of the City to consider other factors like square footage, comparable amenities, and access to transit in evaluating a substantially equivalent replacement unit.

3. If a substantially equivalent replacement unit is not vacant and available, the tenant has been given notice as per the lease agreement.

g. Building demolition and dwelling unit conversion.

1. Building demolitions or conversions to non-residential property. For building demolitions and conversions to non-residential uses, no action is needed regarding the Rent stabilization ordinance.
2. Buildings converting to a cooperative or condominium. To qualify under this provision for buildings converting to a cooperative or condominium, Landlords must prove that the declaration creating the condominium or cooperative are recorded with Ramsey County, as required in Minn. Stat. 515B.2-101.
3. If the unit is being converted to subsidized housing and the tenant does not qualify, the tenant must be given 90-day notice.

h. Rehabilitation and renovation.

To qualify under this provision for buildings being renovated, Landlords must prove that:

1. The unit will be uninhabitable for the duration of the rehabilitation or renovation,
  - a. Uninhabitable means not meeting the basic facilities listed in Chapter 34 of the Saint Paul Legislative Code.
2. The tenant was given a 90-day notice in writing,
3. If a substantially equivalent replacement unit is vacant and available, it has been offered to the displaced resident at a substantially similar Rental rate as the tenant's current lease
  - a. A substantially equivalent means a dwelling unit which:
    - Is decent, safe and sanitary.



- Contains at least the same number of bedrooms and other living areas.
- Is available at no more than 3 percent greater than or 10 percent less than a single month's Rent in the current unit.
- Is located within the same neighborhood district; neighboring district options will be evaluated on a case-by-case basis.

Perfect comparability is not required. It is the intention of the City to consider other factors like square footage, comparable amenities, and access to transit in evaluating a substantially equivalent replacement unit.

4. If a substantially equivalent replacement unit is not vacant and available, the tenant has been given notice as per the lease agreement.

i. Complying with a government order to vacate.

To qualify under this provision:

1. The unit has been given and order to vacate, order to abate, or another order by a local, state, or federal government agency that necessitates vacating the unit.
2. If a substantially equivalent replacement unit is vacant and available, it has been offered to the displaced resident at a substantially similar Rental rate as the tenant's current lease.
  - a. A substantially equivalent means a dwelling unit which:
    - Is decent, safe and sanitary.
    - Contains at least the same number of bedrooms and other living areas.
    - Is available at no more than 3 percent greater than or 10 percent less than a single month's Rent in the current unit.
    - Is located within the same neighborhood district; neighboring district options will be evaluated on a case-by-case basis.

Perfect comparability is not required. It is the intention of the City to consider other factors like square footage, comparable amenities, and access to transit in evaluating a substantially equivalent replacement unit.

3. If a substantially equivalent replacement unit is not vacant and available, the tenant has been given notice as per the lease agreement and consistent with the government order.

j. Occupancy conditioned on employment at the Landlord's Property.

To comply under this provision, Landlords must prove:

1. The tenant is no longer employed by the owner,
2. The tenant was given written notice that their lease was contingent upon employment at the property and therefore given a notice to vacate,
3. The provisions of the Rental agreement related to the employment are provided to



the Department

- a. The entire agreement does not need to be given to the Department. The Department is interested in seeing the clauses of the Rental agreement which pertain to the employment and termination of tenancy.

## **Utilities**

How utilities are billed to Tenants depends on several factors including previous lease arrangement and how utilities are metered in a building. Utility costs paid by the Landlord and not passed through to the Tenant are captured in the Maintenance of Net Operating Income (MNOI) Worksheet.

1. When a meter is shared between multiple units in a building and a Landlord wishes for the Tenant to pay the Utilities, the Landlord must follow all conditions established in Minnesota Statutes section 504B.215, subdivision 2a.
  - a. If the Landlord previously paid the Tenant's Utilities and the Landlord changes the Rental Agreement to require the Tenant to pay Utilities as a Pass-Through Expense, the Landlord must decrease the Rent to account for the increase in the Tenant's monthly payments.
2. If a separately metered building requires tenants to pay the utility service provider directly, then payments to the utility service provider are not considered Rent.
  - a. A Landlord with a separately metered building who pays a utility provider directly may pass-through the costs to tenants for the utilities that are consumed by the unit.
  - b. If the Landlord previously paid the Tenant's Utilities and the Landlord changes the Rental Agreement to require the Tenant to pay Utilities as a pass-through expense, the Landlord must decrease the Rent to account for the increase in the monthly amount the Tenant will pay.
  - c. If the Landlord previously paid the Tenant's Utilities and the Landlord changes the Rental Agreement to require the Tenant to pay the utility service provider directly or the Landlord wishes to pass through the utility cost to Tenants, Rent must be reduced to account for the increase in the Tenant's monthly payments.

## **Exceptions**

Landlords of Rental units that qualify for an exception under 193A.08 are not required to



obtain City approval. However, Landlords are required to provide notice to prospective tenants that the Rental unit is not subject to the ordinance.

The Department has prepared a template notice for Landlords to supply to prospective tenants indicating the exception.

### **Low-Income Housing Provider Exception**

The ordinance aims to exempt affordable housing whose Rents are otherwise regulated by government in an agreement with a government agency. Owners who believe they are exempt from the ordinance are encouraged to reach out and confirm their exemption status with the Department.

The Department may supply the owner with a letter indicating their status.

### **20-year New Construction Exception**

The Department keeps records of when a building was given its first certificate of occupancy from the Building Official. The owner cannot look up this information themselves.

Owners who believe they are exempt from the Rent stabilization ordinance because of the 20-year new construction exemption may request the certificate of occupancy information from the Department. The Department will review the record and provide a letter including the date of occupancy and the date the new construction exemption no longer applies (20-years after the date of occupancy).

The above statement is true for both new construction (from the ground up) and places where there was non-residential property, and it was converted to residential property.

## **Maintenance of Net Operating Income (MNOI) Reasonable Return Standard**

### **A. Reasonable Return Standard**

1. Presumption of Fair Base Year Net Operating Income. It shall be presumed that the net operating income received by the Landlord in the Base Year provided a reasonable return.
2. Reasonable Return. 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. It shall be presumed this standard provides a reasonable return.
3. Base Year.



- a. For the purposes of making reasonable return determinations pursuant to this section, the calendar year 2019 is the Base Year. The Base Year CPI shall be 2019, unless subsection (b) or (c) is applicable.
- b. In the event that a determination of the allowable Rent is made pursuant to this section, if a subsequent application is filed, the Base Year shall be the year that was considered as the "current year" in the prior application.
- c. Unless otherwise exempted from the limitation on Rent increases by local, state or federal laws or regulations, if a Rental Unit enters the marketplace for the first time after 2019, the Base Year shall be the year the Unit entered the marketplace.

#### 4. Adjustment of Base Year.

Landlords or Tenants may present evidence to rebut the presumption that the Base Year net operating income provided a Reasonable return. Grounds for rebuttal of the presumption shall be based on at least one of the following findings:

- a. Exceptional Expenses in the Base Year. The Landlord's operating expenses in the Base Year were unusually high or low in comparison to other years. In such instances, adjustments may be made in calculating operating expenses in order that the Base Year operating expenses reflect average expenses for the property over a reasonable period of time. The following factors shall be considered in making such a finding:
  - i. Extraordinary amounts were expended for necessary maintenance and repairs.
  - ii. Maintenance and repair expenditures were exceptionally low causing inadequate maintenance or significant deterioration in the quality of services provided.
  - iii. Other expenses were unreasonably high or low despite the application of prudent business practices.
- b. Exceptional Circumstances in the Base Year. The gross income during the Base Year was disproportionately low due to exceptional circumstances. In such instances, adjustments may be made in calculating Base Year gross Rental income consistent with the purposes of this chapter. The following factors shall be considered in making such



a finding:

- i. The gross income during the Base Year was lower than it might have been because some residents were charged reduced Rent.
- ii. The gross income during the Base Year was significantly lower than normal because of the destruction of the premises and/or temporary eviction for construction or repairs.
- iii. The pattern of Rent increases in the years prior to the Base Year and whether those increases reflect increases in the CPI.
- iv. Other exceptional circumstances.

5. Calculation of Net Operating Income. Net operating income shall be calculated by subtracting operating expenses from gross Rental income.

a. Gross Rental Income. The ordinance defines "Rent" as "all monetary consideration charged or received by a Landlord concerning the use or occupancy of a Rental Unit, pursuant to a Rental Agreement, except for pass-through expenses authorized in the ordinance.

i. Gross Rental income shall include:

Gross Rents calculated as gross scheduled Rental income at one hundred percent occupancy and all other income or consideration received or receivable in connection with the use or occupancy of the Rental Unit, except as provided in Subparagraph (B) of this section.

If there is a difference in the number of Rental units between the Base Year and the current year, in making calculations of net operating income in the Base Year and the current year, the Rental income and expenses for the same number of units shall be used in calculating the net operating income for both periods.

The purpose of this provision is to ensure that an applicant is not requesting that the current fair net operating income reach a level which was provided in the Base Year by a larger number of units or is limited to a net operating income which was formerly provided by a smaller number of units.

- If there are units that are vacant or owner-occupied at the time an application is filed which were Rented in the Base Year, for the purposes of the MNOI analysis a Rental income





for the unit shall be calculated based on average Rents for comparable units in the building.

- If there are no comparable units in the property Rental income for the vacant or owner-occupied units, the Rent shall be calculated based on recently established initial Rents for comparable units in the City.
- If there are units that were Rented in the current year, which were vacant or owner-occupied in the Base Year, for the purposes of the MNOI analysis a Rental income for the unit for the Base Year shall be calculated based on average Rents for comparable units in the building in the Base Year.
- If there are no comparable units in the property, Rental income for the vacant or owner-occupied units in the Base Year shall be calculated based on Base Year Rents for comparable units in the City.
- If a staff determination is appealed to the City Council, a Legislative Hearing Officer may use another reasonable methodology to ensure compliance with the purposes of this subsection.

ii. Gross Rental income shall not include:

Utility Charges for sub-metered gas, electricity or water which are paid directly by the tenant to the provider or to the Landlord as a Pass-through Expense; or

Charges for refuse disposal, sewer service, and, or other services which are either paid by the tenant as a Pass-through Expense and/or are regulated by state or local law.

b. Operating Expenses. Operating expenses include the following:

i. Reasonable costs of operation and maintenance of the Rental Unit.

ii. Management expenses. It is presumed that management expenses have increased between the Base Year and the current year by the percentage increase in Rents or CPI, whichever is greater, unless the level of management services has either increased or decreased significantly between the Base Year and the current year. This presumption must also be applied in the event that management expenses changed from owner-managed to managed by a third party or vice versa.



- iii. Utility costs. Unless the utility is paid by the Tenant on a pass-through basis. See the utility rules for more detail.
- iv. Real property taxes except when attributable to an assessment in a year other than the Base Year or current year
- v. Property taxes assessed and paid.
- vi. License, registration and other public fees required by law to the extent these expenses are not otherwise paid or reimbursed by Tenants.
- vii. Landlord-performed labor compensated at reasonable hourly rates. However, no Landlord-performed labor shall be included as an operating expense unless the Landlord submits documentation showing the date, time, and nature of the work performed. There shall be a maximum allowed under this provision of five percent (5%) of gross income unless the Landlord shows greater services were performed for the benefit of the residents.
- viii. Legal expenses. Reasonable attorneys' fees and costs incurred in connection with successful good faith attempts to recover Rents owing, successful good faith eviction actions not in derogation of applicable law, legal expenses necessarily incurred in dealings with respect to the normal operation of the Property, and reasonable costs incurred in obtaining a Rent increase pursuant to Saint Paul Legislative Chapter 193A.  
  
To the extent allowable legal expenses are not annually reoccurring and are substantial they shall be amortized over a five-year period, unless the City concludes that a different period is more reasonable. At the end of the amortization period, the allowable monthly Rent shall be decreased by any amount it was increased because of the application of this provision.
- ix. Adjustments to Operating Expenses. Base Year and/or current year operating expenses may be averaged with other expense levels for other years or amortized or adjusted by the CPI or to reflect levels that are normal for residential Rental Units or may otherwise be adjusted, in order to establish an expense amount for that item



which most reasonably serves the objectives of obtaining a reasonable comparison of Base Year and current year expenses and providing a reasonable return. If the claimed operating expense levels are exceptionally high compared to prior expense levels and/or industry standards the Landlord shall have the burden of proof of demonstrating that they are reasonable and/or reflect recurring expense levels. Expenses which are exceptional and reasonable must be amortized in order to achieve the objectives of this section.

- c. Exclusions from Operating Expenses. Operating expenses shall not include the following:
- i. Mortgage principal or interest payments or other debt service costs and costs of obtaining financing.
  - ii. Any penalties, fees or interest assessed or awarded for violation of any provision of this chapter or of any other provision of law.
  - iii. Land lease expenses.
  - iv. Political contributions and payments to organizations or individuals which are substantially devoted to legislative lobbying purposes.
  - v. Depreciation.
  - vi. Any expenses for which the Landlord has been reimbursed by any utility rebate or discount, Security Deposit, insurance settlement, judgment for damages, settlement or any other method or device.
  - vii. Unreasonable increases in expenses since the Base Year.
  - viii. Expenses associated with the provision of master-metered gas and electricity services.
  - ix. Expenses which are attributable to unreasonable delays in performing necessary maintenance or repair work or the failure to complete necessary replacements, which are not Tenant caused. (For example, if a roof replacement is



unreasonably delayed, the full cost of the roof replacement would be allowed; however, if interior water damage occurred as a result of the unreasonable delay.)

d. Projections of Base Year Operating Expenses in the Absence of Actual Data

If the Landlord does not have Base Year operating expense data, it shall be presumed that operating expenses increased by the percentage increase in the CPI between the Base Year and the current year. This presumption is subject to the exception that specific operating expenses must be adjusted by other amounts when alternate percentage adjustments are supported by a preponderance of evidence (such as data on changes in the rates of particular utilities or limitations on increases in property taxes).

6. Allocation of Rent Increases

Rent increases authorized pursuant to this section must be allocated as follows:

- a. Rent increases for unit-specific capital improvements must be allocated to that unit;
- b. Rent increases for building-wide or common area capital improvements must be allocated equally among all units;
- c. Rent increases resulting from the Net Operating Income analysis must be allocated equally among all units;
- d. Notwithstanding the subsections above, the City shall have the discretion to apportion the Rent increases in a manner and to the degree necessary to ensure fairness. Such circumstances include, but are not limited to, units that are vacant or owner occupied.

8. Annual Rent Adjustments Based on Maintenance of Net Operating Income Standard

- a. Purpose. The purpose of this section is to protect Tenants from substantial Rent increases which are not affordable, and which may force such Tenants to vacate their homes and result in consequences



contrary to the stated purposes of the Ordinance, namely, to maintain the diversity of the Saint Paul community, to preserve the public peace, health and safety, and advance the housing policies of the City.

b. Rent Increase Limit

There is no limit to annual adjustments if the Landlord demonstrates that the increase is necessary for a reasonable return.

9. Right to a Reasonable Return.

No provision of this regulation shall be applied so as to prohibit the Department or Legislative Hearing Officer from granting an individual Rent adjustment that is demonstrated by the Landlord to be necessary to meet the requirements of this ordinance and the Landlord's right to reasonable return requirements.

**Planned or Completed Capital Improvements**

B. Capital Improvement Standard

(1) The Amortized Costs of Capital Improvements.

Operating expenses include the amortized costs of capital improvements plus an interest allowance to cover the amortization of those costs. For purposes of this section a capital improvement shall be any improvement to a unit or property which materially adds to the value of the property, appreciably prolongs its useful life or adapts it to new use and has a useful life of more than one year and a direct cost of \$250.00 or more per unit affected. Allowances for capital improvements shall be subject to the following conditions:

The costs are amortized over the period set forth in this regulation and in no event over a period of less than thirty-six (36) months.

The costs do not include costs incurred to bring the Rental Unit into compliance with a provision of the Saint Paul Legislative Code or state law where the original installation of the improvement was not in compliance with code or state law.

At the end of the amortization period, the allowable monthly Rent shall be decreased by any amount it has increased due to the application of this provision.

The improvement is not an ordinary repair, replacement, and/or maintenance, and may be necessary to bring the property into compliance or maintain compliance with applicable local code requirements affecting health and safety in accordance with Saint Paul Legislative Code Chapter 34.



The amortization period shall be in conformance with the following schedule adopted by the City unless it is determined that an alternate period is justified based on the evidence presented in appeal hearing.

<b>Amortization of Capital Improvements and Expenses</b>	
In amortizing capital improvements, and/or expenses, the following schedule shall be used to determine the amortization period of the capital improvements and/or expenses	Years
<i>Appliances</i>	
Air Conditioners	10
Refrigerator	5
Stove	5
Garbage Disposal	5
Water Heater	5
Dishwasher	5
Microwave Oven	5
Washer/Dryer	5
Fans	5

<i>Miscellaneous</i>	
Cabinets	10
Carpentry	10
Counters	10
Doors	10
Knobs	5
Screen Doors	5
Management	5
Tenant Assistance	5
<i>Structural Repair and Retrofitting</i>	



Foundation Repair	10
Foundation Replacement	20
Foundation Bolting	20
Iron or Steel Work	20
Masonry-Chimney Repair	20
Shear Wall Installation	10
Electrical Wiring	10
Elevator	20
<i>Fencing</i>	
Chain	10

Block	10
Wood	10
<i>Fire Systems</i>	
Fire Alarm System	10
Fire Sprinkler System	20
Fire Escape	10
<i>Flooring/Floor Covering</i>	
Hardwood	10
Tile and Linoleum	5
Carpet	5
Carpet Pad	5
Subfloor	10
Fumigation Tenting	5
Furniture	5
Automatic Garage Door Openers	10

<i>Gates</i>	
Chain Link	10
Wrought Iron	10
Wood	10
<i>Glass</i>	
Windows	5



Doors	5
Mirrors	5
<i>Heating</i>	
Central	10
Gas	10
Electric	10
Solar	10
Insulation	10
<i>Landscaping</i>	
Planting	10
Sprinklers	10
Tree Replacement	10

<i>Lighting</i>	
Interior	10
Exterior	5
Locks	10
Mailboxes	10
Meters	10
<i>Plumbing</i>	
Fixtures	10
Pipe Replacement	10
Re-Pipe Entire Building	20
Shower Doors	5
<i>Painting</i>	
Interior	5
Exterior	5
<i>Paving</i>	

Asphalt	10
Cement	10
Decking	10
Plastering	10





Sump Pumps	10
Railings	10
<i>Roofing</i>	
Shingle/Asphalt	10
Built-up, Tar and Gravel	10
Tile	10
Gutters/Downspouts	10
<i>Security</i>	
Entry Telephone Intercom	10
Gates/Doors	10
Fencing	10
Alarms	10
Sidewalks/Walkways	10



Stairs	10
Siding	10
Stucco	10
Tilework	10
Wallpaper	5
<i>Window Coverings</i>	
Drapes	5
Shades	5
Screens	5
Awnings	5
Blinds/Miniblinds	5
Shutters	5

(2) Interest Allowance for Expenses that Are Amortized.

An interest allowance shall be allowed on the cost of amortized expenses. The allowance shall be the interest rate on the cost of the amortized expense equal to the "average rate" for thirty-year fixed rate on home mortgages plus two percent. The "average rate" shall be the rate Freddie Mac last published in its weekly Primary Mortgage Market Survey (PMMS) as of the date of the initial submission of the application. In the event that this rate is no longer published, the Department shall designate by regulation an index which is most comparable to the PMMS index.

4. Conditional Rent Adjustments for Proposed Capital Improvements

a. In order to encourage necessary capital improvements, the Department allows a Landlord to apply for an upward Rent adjustment based upon anticipated future expenses for capital improvements. The purpose of this procedure is to permit Landlords to seek advanced authorization for future Rent adjustments based upon anticipated capital improvements. An application under this Section should only be made for anticipated expenses that the Landlord intends to incur during the twelve-month period following the date of final Department or Legislative Hearing Officer decision. This procedure should not be used for anticipated expenses for ordinary repairs and maintenance.

b. If the application is granted in whole or in part, the Rent increase shall be postponed until such time as the capital improvements are made and an Addendum authorizing the increases is issued.



c. No addendum shall be issued for such proposed capital improvements unless they are completed within twenty-four (24) months from the date of final decision granting the conditional Rent adjustment, unless the Landlord obtains an additional addendum authorizing an extension of the time period to complete the capital improvement. Extensions may be granted due to reasonable delays in the completion of capital improvements as determined by the Hearing Officer.

### **Changes in the Number of Tenants**

*Nothing in this section is intended to direct or alter the screening methods of Landlords.*

#### **C. Changes in the Number of Tenants**

1. Base Occupancy Level: The Base Occupancy Level for a Rental Unit, as used in this Chapter, shall be the number of Tenants allowed by the Rental Agreement as defined in 193A of the Ordinance for the unit effective May 1, 2022, or at the beginning of any tenancy established after May 1, 2022 (i.e. a new Rental unit).
2. Increase in Tenants:
  - a. If the number of Tenants allowed by the Rental Agreement actually occupying a unit as the Tenants' principal residence has increased above the Base Occupancy Level for that unit, then the maximum allowable Rent for the unit may be increased by up to fifteen percent (15%) for each additional tenant above the base occupancy level, in addition to any maximum allowable Rent adjustment to which the Landlord is otherwise entitled.
  - b. Notwithstanding subsection (2) a., no increase in the maximum allowable Rent for additional Tenants shall be granted for any additional Tenant who is a spouse, domestic partner, child, grandchild, parent, grandparent, legal guardian of a child, parent of any of the Tenants, other resident children, or caretaker/attendant as required for a reasonable accommodation for a person with a disability, unless the Tenants agree in writing to the specific maximum allowable Rent increase.
  - c. If the number of Tenants actually occupying a Rental Unit as a principal residence decreases subsequent to any maximum allowable Rent increase for additional Tenants granted pursuant to subsection (2) a., then the maximum allowable Rent increase for that Rental Unit shall automatically decrease by the amount of the maximum allowable Rent increase that is no longer justified, as a result in the decrease in the number of Tenants, unless the Tenant and Landlord agree in writing to permanently increase the Base Occupancy Level.
  - d. Increases in the maximum allowable Rent due to an increase in the Base Occupancy Level shall remain permanent. As such, if the number of Tenants



actually occupying a Rental Unit as the Tenants' principal residence decreases subsequent to any maximum allowable Rent increase for additional Tenants granted pursuant to subsection (2) a., then the Tenants may replace the departing Tenant with another Tenant (subject to the Landlord's standard screening methods).

3. Decrease in Number of Tenants Allowed:

If any policy or policies imposed by the Landlord unreasonably prevent the Tenant from maintaining the Base Occupancy Level for that unit, then the maximum allowable Rent for that unit shall be decreased by an amount equal to the percentage by which the number of allowable Tenants has been reduced. As used in this regulation, "policy" or "policies" means any rule, course of conduct, act or actions by a Landlord.

a. A policy shall be deemed unreasonable if it is different from and more restrictive than the policies originally used to screen the current Tenant(s).

b. Refusal based on the proposed additional occupant's lack of creditworthiness shall be deemed unreasonable if that person will not be legally obligated to pay some or all of the Rent to the Landlord.

c. Refusal shall be deemed reasonable if the increase would bring the total number of occupants above the maximum allowable under Saint Paul Legislative Code Chapter 34, Chapter 60, Minnesota State Building Code or Minnesota State Fire Code.

## **Changes in Space or Services**

### D. Changes in Space or Services

1. Increase in Space: The maximum allowable Rent may be adjusted upward when, with the written agreement of the Tenant(s), there is an increase in the usable space or in the Housing Services beyond that which was provided to a unit on May 1, 2022, or when the Base Rent was first established.

a. Additional or reconfigured space: Where a Landlord adds habitable living space to a unit or reconfigures it, the maximum allowable Rent for such unit must be permanently increased as provided under Capital Improvements.

b. Additional services: Where a Landlord adds non-habitable space or increases the services provided to a unit, the maximum allowable Rent for such unit may be increased by an amount representing the commercially reasonable value of the additional space or increased services. If the additional or reconfigured space or the services are subsequently reduced



or eliminated, the Rent increase authorized herein must be reduced or terminated. Any increase for an additional bedroom may result in an increase to the Base Occupancy Level for an additional occupant.

c. Increases may be denied if the added or reconfigured space or services do not clearly benefit a majority of the affected Tenants.

2. Decrease in Space or Services; Substantial Deterioration; Failure to Provide Adequate Services; Failure to Comply with Codes, the Warranty of Habitability or the Rental Agreement:

*It is not the Department's intent to enforce Rent decreases to the provisions below. The rules below are to be considered holistically with the other factors justifying an increase in Rent.*

Decreases in Space or Services. The maximum allowable Rent must be adjusted downward where a Landlord is aware of and causes a Tenant to suffer a decrease in housing services or living space from the services and space that were provided on May 1, 2022, or from any services or space provided at the beginning of the tenancy. The amount of the Rent decrease must be calculated by multiplying the percentage of impairment of the Tenant's use of and benefit from the unit (as a result of the reduction in living space or housing services) by the maximum allowable Rent in effect at the time of the impairment, and for past decreases, multiplied by the period of time the impairment existed. In determining the amount of the downward Rent adjustment by the percentage of impairment of use/benefit method, the City may consider the reasonable replacement cost of the space or service in question. Decreases in the maximum allowable Rent must not be granted due to a decrease in space or services that is a direct result of intentional actions on the part of the Tenant to purposefully cause a decrease in space or services.

a. Denial of Applications for Unilateral Removal: The City will not accept applications from Landlords who seek a maximum allowable Rent decrease for the unilateral removal or reduction of space or services from a Tenant's base level space or services. Landlord applications shall be accepted only when a Tenant has expressly agreed in writing to the removal of such space or services. "Base level space or services" are the housing services or living space that was provided at the unit on May 1, 2022, or at the beginning of the tenancy.

b. Inadequate Services & Substantial Deterioration: The maximum allowable Rent must be adjusted downward for any substantial deterioration in a Rental Unit and/or for any failure to provide adequate Housing Services occurring during the petitioner's tenancy. For purposes of this subsection, a substantial deterioration means a noticeable decline in



the physical quality of the Rental Unit resulting from a failure to perform reasonable or timely maintenance and adequate Housing Services means all services necessary to operate and maintain a Rental Unit in compliance with all applicable state and local laws and with the terms of the Rental Housing Agreement. The amount of the Rent decrease must be calculated by multiplying the percentage of impairment of the Tenant's use of and benefit from the unit (as a result of the deterioration or failure to provide adequate service, violation, breach or failure to comply) by the maximum allowable Rent in effect at the time of the impairment.

c. Code Violations & Breach of the Warranty of Habitability:

- i. Where a condition at the Rental Unit threatens the health or safety of the occupants but does not actually impair the use of the unit, the maximum allowable Rent decrease shall be in an amount that reflects the reduction in value of the Rental Unit due to the unsafe or unhealthy condition.
  - ii. The Rent decrease authorized under this subsection for a violation of the warranty of habitability or for a code violation that poses a significant threat to the health or safety of Tenants (e.g., dangerous window bars, missing smoke detector) shall be automatically doubled prospectively if proof of correction of the violation is not submitted to the Department within thirty-five (35) calendar days of mailing of the City's decision unless the Landlord establishes that the violation cannot be corrected within that time due to circumstances beyond the Landlord's control.
  - iii. For purposes of this subsection, a breach of the warranty of habitability occurs when the Rental Unit is not in substantial compliance with applicable building and housing code standards, which materially affect health and safety. Minor housing code violations which do not interfere with normal living requirements do not constitute a breach of the warranty of habitability.
- d. Maximum allowable Rent reductions pursuant to this Section shall be effective from the date the Landlord first had notice of the space or service reduction, deteriorated condition, service inadequacy, or code or habitability violation in question and shall terminate on the date of the first Rent payment due after adequate proof has been submitted to the Department that the condition for which the reduction was granted no longer exists.



e. A Tenant who files an appeal pursuant to this section must be able to establish the basis for the reduction and when the Landlord first received notice of the decreased service, deterioration, code violation or habitability violation. Notice may be actual or constructive. A Landlord is deemed to have notice of any condition existing at the inception of a tenancy that would have been disclosed by a reasonable inspection of the Rental Unit. A copy of a housing code inspection report from the City of Saint Paul should be submitted with the appeal.

### **Pattern of Recent Increases or Decreases in Rent**

For the purposes of determining reasonable return on investment, the pattern of recent Rent increases or decreases will be determined by the annual Consumer Price Index (CPI) of the current year for All Urban Consumers for the Minneapolis-St. Paul-Bloomington area (All Items) provided by the U.S. Bureau of Labor Statistics.