

# ST. PAUL RENT STABILIZATION TASK FORCE

WEEK 2: MARCH 1, 2022



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# ST. PAUL RENT STABILIZATION TASK FORCE

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## Agenda

1. Approval of Week 1 minutes
2. Finalize ground rules
3. Summary of post-meeting survey
4. Learnings
  1. History of rent control
  2. Rent caps

## St. Paul Rent Stabilization Task Force Ground Rules (revised)

- 1) Be real and true to your experience when sharing observations of perceived experience.  
Honor that communities have knowledge about how they experience systems and structures.
- 2) Give space for people to be vulnerable when speaking of their experiences.  
If someone has shared a difficult story, be aware of the follow up.
- 3) Acknowledge and respect differing opinions and perspectives.  
Recognize that these conversations may be contentious, and that each person will be coming from a unique position.
- 4) Step up, step back.  
Participate as much as you listen; it is a two-way street of learning.  
Set aside implicit power roles so all voices have equal weight.
- 5) Be open and curious.  
Lead with curiosity, honesty, transparency, courage, and humility.
- 6) Be quick to listen slow to react/speak.  
Be slow to judgment when engaging.  
Commit to a principle of constructive engagement.
- 7) Try to stay away from jargon and specialized terms.
- 8) Keep an eye towards moving the discussion forward.
- 9) Leave time and space for others.
- 10) Respect pronouns.

# Table 1: “Which stakeholders need protection as we deliberate?”

<b>Cluster 1: Renters</b>	<b>44</b>	<b>51%</b>
Renters	20	23%
Renters - all	15	17%
Renters - low-inc	4	5%
Housing insecure	3	3%
Renters - low/mid inc	1	1%
Renters - working class	1	1%
<b>Cluster 2: Industry actors</b>	<b>26</b>	<b>30%</b>
Property owners	14	16%
Small property owners	8	9%
Non-profit prop owners	2	2%
Developers	2	2%
<b>Balance stakeholders</b>	<b>11</b>	<b>13%</b>
<b>Future residents/taxpayers</b>	<b>3</b>	<b>3%</b>
<b>Other</b>	<b>3</b>	<b>3%</b>
<b>Total</b>	<b>87</b>	

## Table 2: Priorities

<b>Cluster 1: Market &amp; social outcomes</b>	<b>23</b>	<b>49%</b>
Housing supply, investment	8	17%
Maintain a variety of housing	2	4%
Housing prices, property values	2	4%
Property maintenance	1	2%
Unintended consequences	1	2%
Affordable housing/rent	5	11%
NOAH	1	2%
Predatory owners/increases	1	2%
Equity / stratification	2	4%
<b>Cluster 2: Program elements</b>	<b>12</b>	<b>26%</b>
Cap 3%	2	4%
Cap and "banking"	1	2%
Cap and inflation	1	2%
Vacancy decontrol	2	4%
Integrity of November vote	3	6%
Enforcement	3	6%
<b>Cluster 3: Stakeholders</b>	<b>8</b>	<b>17%</b>
Property owners (incl small)	4	9%
Housing insecure	2	4%
Balance stakeholders	2	4%
<b>Process</b>	<b>2</b>	<b>4%</b>
<b>Other</b>	<b>2</b>	<b>4%</b>
<b>Total</b>	<b>47</b>	

# Table 3: Greatest Hopes

<b>Cluster 1:</b>	<b>Program elements</b>	<b>11</b>	<b>32%</b>
	Implement ballot initiative	3	9%
	Investors, supply, new housing	3	9%
	Renovation & maintenance	2	6%
	New construction exemption	1	3%
	Vacancy decontrol	1	3%
	Clarity	1	3%
<b>Cluster 2:</b>	<b>Stakeholders</b>	<b>10</b>	<b>29%</b>
	Balance stakeholder needs	4	12%
	Property owners	2	6%
	Renters	2	6%
	Housing insecure/vulnerable	2	6%
<b>Cluster 3:</b>	<b>Market &amp; social outcomes</b>	<b>7</b>	<b>21%</b>
	Affordable rent/housing/city	3	9%
	NOAH	1	3%
	Community	1	3%
	Rent gouging	2	6%
<b>Cluster 4:</b>	<b>Implementation</b>	<b>4</b>	<b>12%</b>
	Implementation	2	6%
	Long term/sustainable	2	6%
	<b>Other</b>	<b>2</b>	<b>6%</b>
	<b>Total:</b>	<b>34</b>	

# Table 4: Greatest Concerns

Cluster	Concern	Count	Percentage
<b>Cluster 1: Market &amp; social outcomes</b>	Disinvestment, investors, supply	9	19%
	Unintended consequences	4	8%
	Affordable rent/housing	1	2%
	Renovation & maintenance	1	2%
	Rent gouging	1	2%
	Predatory owners	1	2%
	<b>Cluster 2: Stakeholders</b>		<b>12</b>
Property owners	4	8%	
Property owners: Small business	3	6%	
Property owners: Out of state	1	2%	
Renters	2	4%	
Balance stakeholder needs	2	4%	
<b>Cluster 3 Program elements</b>		<b>11</b>	<b>23%</b>
	Loopholes & gutting the program	4	8%
	Cap, inflation	2	4%
	Clarity/uncertainty	2	4%
	New construction exemption	1	2%
	Vacancy decontrol	1	2%
	Program flexibility	1	2%
<b>Cluster 4: Implementation</b>		<b>3</b>	<b>6%</b>
	Implementation	1	2%
	Litigation	1	2%
	Ordinance won't work	1	2%
	<b>Power of developers/owners</b>	<b>5</b>	<b>10%</b>
	<b>Total</b>	<b>48</b>	

# ST. PAUL RENT STABILIZATION TASK FORCE

WEEK 2: LEARNINGS – HISTORY & CAPS

MARCH 1, 2022



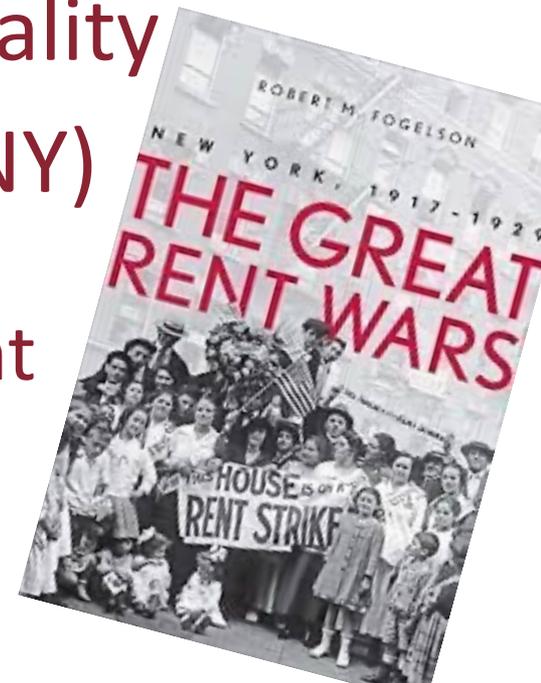
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# First generation rent control

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- First enacted in 1920
- Reaction to wartime “rent profiteering”
- *Emergency* action
- Courts established constitutionality
- Terminated in 1924 (except in NY)
  - New York enacts RC in 1920
  - 100,000+ dispossessions imminent



# First generation rent control

- Enacted again during WWII



- 1942 Emergency Price Control Act
- Congress enacts rent control for Washington, DC
- Federal rent controls covered area with 93 million people

# First generation rent control

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- Absolute ceiling on rents
- Applied to all rentals
  - 1949 Congress exempted new construction
- Extended into 1950s
  - Postwar housing shortage
  - Korean War
- Disappeared in most places mid-50s
  - (except NY)



## 2<sup>ND</sup> GENERATION RENT CONTROLS

- Renewed federal, state, and local action
- NYC, Boston, Miami enact laws in 1969
  - Boston, Miami add laws struck down by Courts
- Massachusetts enacts enabling legislation in 1970



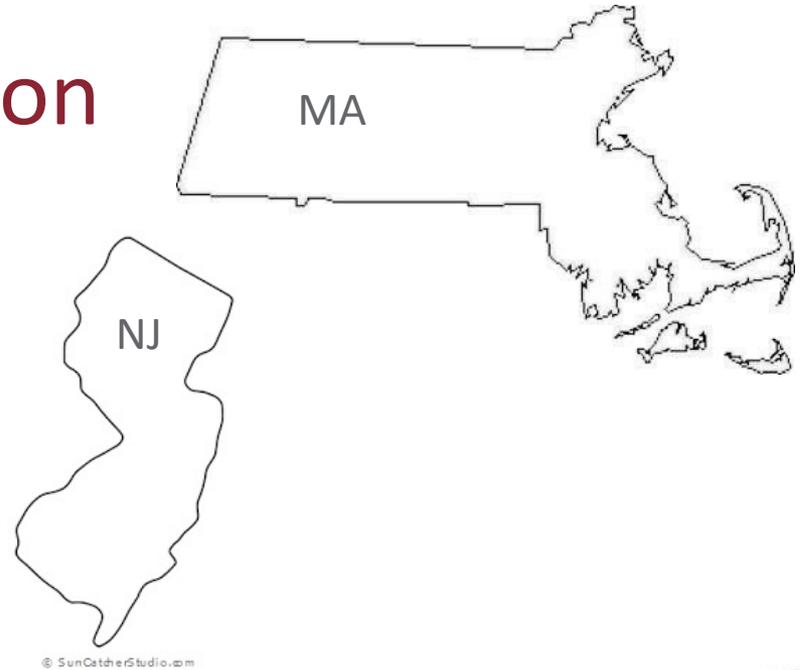
August 1971  
to  
January 1973



# 2<sup>nd</sup> generation rent controls

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- MA enabling legislation
- NJ tenant organizing
- CA ballot initiatives



- NY state & local legislation



# 2<sup>nd</sup> generation rent controls

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- “Moderate rent control” or “rent stabilization”
- Caps on rent increases
- Exemptions of housing stock
- Passthroughs & exceptions
- Decontrol
- Specification & composition of rent board
- Conversion & eviction regulations

# Pendulum swings back

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- By early 1980s 10% of privately-owned residential rental units subject to control
- 1980s/1990s political turn
- MA eliminates rent control, 1994
  - Statewide voter referendum 51% to 49%
- Several states preempt local rent control laws
- CA restricts rent control, 1995

# Restrictions on rent control in the U.S.

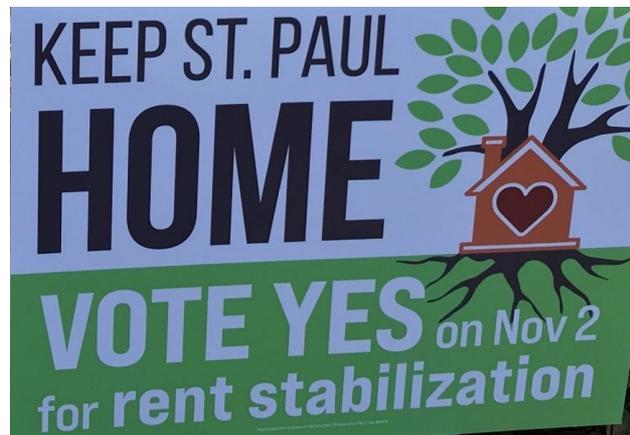
Has rent control	Pre-empts rent control				Dillon Rule	Other
CA	AL	IL	MN*	OR*	AR	DE
MD	AZ	IN	MS	SC	NV	HI
MN*	AR	IA	MO	SD	PA	ME
NJ	CO	KS	NH	TN	RI	MT
NY	CT	KY	NM	TX	WV	NE
OR*	FL	LA	NC	UT	VA	OH
DC	GA	MA	ND	WA	VT	WY
	ID	MI	OK	WI		
7	32				7	7

\* Oregon preempts local rent control but enacted statewide rent control;

Minnesota preempts local rent control unless approved by voters in general election

# 3<sup>rd</sup> wave of rent control

- Post-housing crisis period of rent increases
- Spreads to other jurisdictions
- Laws strengthened
- St. Paul becomes only city outside of a coastal state to enact RC
- Mpls likely to be the second



# THEMES

- Evolution of rent control approaches
  - From rigid price freezes to complex and flexible set of regulations
- Political ebb and flow
  - Popularity changes over time
- Not static
  - Approaches change within cities



# BREAKOUT ROOMS

An opportunity to share reactions,  
thoughts, and questions. Is this history  
relevant to St. Paul?



# Program design options

## Choice of cap

- Flat pct increase
- Pegged to CPI
- CPI + pct
- Nominal amount
- Maximum increases

## Decontrol

- Vacancy decontrol? (full or partial)

## Exceptions to cap

- Pass throughs (maintenance, CI, utilities, property taxes)
- “fair or reasonable return”
- “banked” increases
- Limits to exceptions (max increases)

## Exemptions

- New construction (rolling or fixed)
- Small buildings (single family homes, 2-4 unit buildings)
- Owner-occupation

## Compliance & education

- Tenant or petition driven
- Monitoring
- Dispute resolution
- Public information
- Fees to support implementation

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# Rent cap impacts

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- Over time rent control programs reduce rents paid in controlled units
- “Tenure discounts” significant over time

# RENT DISCOUNTS FOR LONG-TERM TENANTS, WITH AND WITHOUT RENT CONTROL

	Without rent control	With rent control
Tenants staying 5 to 10 years	16.3%	29.6%
10 + years	27.9%	39.3%

from Clark and Heskin, 1982

# Rent cap impacts

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- Over time rent control programs reduce rents paid in controlled units
- “Tenure discounts” significant over time
- Rent caps eliminate “rent gouging”

# Rent cap impacts

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- Rent caps increase residential stability
  - Tenants stay in units longer
- e. g., San Francisco:
  - Rent control increases stability 20%
    - Large share of those still in their units would have otherwise moved out of SF
    - Stability effects stronger for older households & for longer-term residents
    - Stability effects stronger among BIPOC tenants
- Consistent research finding

# Setting caps

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- A balance
  - Simplicity and complexity
  - Uniformity and variability
  - Predictability and responsiveness
- Four approaches
  - Annual determination by rent board
  - Flat percentage increase
  - Variable increase tied to measure of inflation
  - Variable rate with upper and/or lower limits

# Setting caps

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- Massachusetts & Maine
  - “fair net operating income”
  - Created formula that varied by building
  - Incorporated data on taxes, operating expenses, capital improvements, building conditions
- Berkeley relied on annual cost study
  - switched to CPI-based cap in 2005
- NYC Rent Guidelines Board sets cap annually

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[HTTPS://WWW.STPAUL.GOV/DEPARTMENTS/FINANCIAL-EMPOWERMENT/RENT-STABILIZATION](https://www.stpaul.gov/departments/financial-empowerment/rent-stabilization)



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