

Dear Honorable Members of the Saint Paul City Council,

I am writing to respectfully contest the Legislative Hearing Officer's recommendation to deny my rent stabilization appeal for the property at 1640 Edgerton Street, Saint Paul, MN 55130, which is scheduled for your consideration at today's meeting. **This letter is intended to replace my earlier submission of September 1, 2026, which I ask the Council to disregard in favor of this more focused and refined presentation.** I am the property owner and active landlord, and I am submitting these comments in writing as I am currently out of state and unable to attend in person.

Despite nearly two weeks of sustained effort to obtain the hearing officer's written reasoning for her recommendation—including multiple voicemail messages, emails, and a direct phone conversation with the Appeals office on September 2nd during which a written response was promised but never delivered—I **have not received any substantive explanation for the denial.** This process has now spanned two council meeting cycles. I want to be clear that I do not attribute this to the hearing officer herself, whose professionalism throughout the August 21st hearing I genuinely appreciated. The administrative process, however, has left me in the position of contesting a recommendation without knowing its basis—a circumstance I would respectfully characterize as a systemic fairness concern rather than an individual one.

I also want to note that **the argument I am presenting today reflects a meaningful refinement of the position I advanced before the hearing officer**—specifically regarding the contractual nature and proper treatment of the last month's rent. This refined point was not before the hearing officer and has not been previously evaluated. I respectfully ask the Council to consider it on its merits rather than as a request to relitigate the hearing as a whole.

The Issue

The Department of Safety and Inspections approved a 14.80% rent increase for my property. My Maintenance of Net Operating Income (MNOI) worksheet, prepared in accordance with the City's guidelines, supports an allowable increase of 23.12%. **The entire difference arises from a single methodological question: whether the last month's rent collected from a prior tenant in installments throughout 2024 and applied to June 2025 should be treated as 2025 rental income.**

Understanding the Last Month's Rent

Despite its name, "last month's rent" is not rent paid during or just before the final month of a tenancy. **It is prepaid rent—collected at the inception of the tenancy, often years in advance, as a contractual guarantee that the landlord will receive compensation for the final month of occupancy.** Unlike a security deposit, which belongs to the tenant until applied, the last month's rent is the landlord's income the moment it is collected—the landlord may spend it immediately and has no legal obligation to hold it in escrow.

The lease for this tenancy explicitly designated the last month's rent as **"prepayment for the last month's rent owing under this agreement (i.e., August 2025)"**—not June 2025. It was

collected from the prior tenant in installments throughout 2024 as a contested debt, substantially completed in 2024 with a final installment of \$899.93 received January 4, 2025—the conclusion of a prior-year payment plan, not a new income event.

The prior tenant was evicted in early June 2025 and was not living in the property when the last month's rent was applied. New tenants assumed occupancy on July 1, 2025. Had the last month's rent been held and applied to its contractually designated month of August 2025 as originally intended, the landlord would have collected two August payments—one from the new tenants and one from the applied last month's rent—an outcome that would have been neither appropriate nor intended. **Its responsible application to June 2025 was therefore the only honest accounting of the payment given the circumstances, yet DSI treated this prior-year prepayment—collected in 2024, designated for August 2025, and applied to June 2025 solely to avoid unjust enrichment—as straightforward 2025 current year rental income.**

Why This Matters

The lease designation of the last month's rent for August 2025 is the critical point. **DSI treated a payment contractually designated for one month, collected in a prior year, and applied to a different month entirely as a direct consequence of an eviction, as ordinary current year rental income.** This treatment ignores both the contractual substance of what the payment represents and the practical reality of how and why it was applied. DSI's own administrator acknowledged in writing that "the administrative rules are not explicit" on how Line 2—Portion Attributable to Vacancy—should be treated in a situation such as this, and that my interpretation is "not unreasonable." When the rules are silent and DSI acknowledges the appellant's interpretation is not unreasonable, the benefit of the doubt should fall to the appellant.

It is also worth noting that during the hearing, the officer asked DSI staff whether future expenses would likely require an additional increase of comparable magnitude—to which staff responded that future costs would likely be covered under the annual 3% allowance. The MNOI process is designed to establish fair return based on documented historical figures, not future projections. I respectfully submit that this forward-looking inquiry, however understandable, is not the proper standard by which an MNOI appeal should be evaluated—if indeed it was.

Context

The 2025 "Current Year" figures reflect an extraordinary and non-recurring set of circumstances: a court-ordered eviction, significant remediation costs, a distress-driven concessionary rental rate, and six years of accumulated cost increases since the 2019 base year. Whatever determination the Council makes will establish the baseline Net Operating Income (NOI) for all future MNOI petitions for this property. I respectfully ask that this baseline be set as accurately and fairly as the evidence supports.

I also want to be transparent about my intentions as a landlord. **I have good tenants whom I wish to retain. Whatever increase is ultimately approved will be implemented gradually and with genuine consideration for the tenants' circumstances.** I am not seeking a windfall—

I am seeking an accurate accounting of an extraordinary year so that the foundation for future determinations reflects reality.

Questions for the Council's Consideration

1. **The last month's rent was contractually designated as prepayment for August 2025—not June 2025—collected in installments throughout 2024, and applied to June 2025 solely to avoid collecting two August payments following an eviction.** Does treating it as 2025 rental income accurately reflect the contractual substance of what it represents—or does it prioritize the administrative form of its application over that substance?
2. **DSI's own administrator acknowledged in writing that the administrative rules contain no explicit guidance on this interpretive question, and that the appellant's interpretation is not unreasonable.** Does approving an increase below what the City's own MNOI formula supports—on the basis of an ambiguity that DSI itself acknowledges—serve the City's interest in providing landlords with a fair return on investment?
3. The MNOI process is designed to evaluate fair return based on documented historical figures. **Was the hearing officer's recommendation appropriately grounded in that standard—or was it influenced by a speculative assessment of the appellant's future expenses, if indeed that is the proper standard by which an MNOI appeal should be evaluated?**
4. Despite nearly two weeks of sustained effort spanning two council meeting cycles, the appellant has not been provided the hearing officer's written reasoning for her denial recommendation. **Is that consistent with the City's commitment to fair and transparent administrative proceedings?**

I appreciate the Council's time and consideration of my appeal.

Most sincerely,



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