

Hilary Kaufman 0:14

Hello, and welcome to the first episode of the East Side unified housing justice podcast. My name is Hilary and I she her pronouns. I hope that this podcast can be an interesting and informative way for East siderers. To learn more about housing justice issues in St. Paul and more about the Eastside community and its residents in general. For this first episode, I'll be talking about rent stabilization in St. Paul, what it is and why it matters. So let's get into it.

Mayor Carter 0:49

Even with our efforts to realize safer outcomes and bolster economic stability in our city, our housing crisis continues to demand our urgent attention.

Hilary Kaufman 1:01

You just heard Mayor Melvin Carter lists some of the reasons why he voted yes on rent stabilization in St. Paul in the fall of 2021. So what is rent stabilization? And why does it matter for St. Paul residents, the rent stabilization movement in St. Paul was spearheaded by local community activists and organizations like housing equity now St. Paul, also known as hens. According to hens rent stabilization is a policy that allows for reasonable rent increases in rental housing by creating a predictable schedule for the maximum percentage of rent increase that is allowed that year. That's a pretty wordy definition. In other words, rent stabilization means rent can only be raised by a certain amount each year, St. Paul's policy limits rent increases to an annual 3% increase. That sounds simple enough. So why is there been so much uncertainty and confusion over the implementation of rent stabilization? For one a movement intended to help renters is potentially being turned into a policy to support landlords and developers.

Mayor Carter 2:07

Every single city that we can find, with the rent stabilization policy in place provides an exemption to incentivize construction of new housing units, and so should St. Paul.

Hilary Kaufman 2:22

Those opposed to rent stabilization worried that by capping rent increases, developers will stop investing and building housing in St. Paul. In response to those worries, Carter has proposed a plan where housing units are exempt from rent stabilization policies until 15 years after they are built. That proposal hasn't been passed yet. But aside from that, there are a number of ways that landlords can currently be exempted from Rent Stabilization. One reason is landlords rate to a reasonable rate of return on their property. If a landlord can prove that by capping rent, they won't receive a reasonable rate of return on their property they can apply for an exemption, you might be saying a reasonable rate of return sounds really vague. What does that actually mean? Well, a reasonable rate of return is equal to the property's base year income plus 100% of the local consumer price increase since that base year that's a lot of jargon. So let's break it down. The properties base your income is the income from that property in 2019. The local consumer price increase or CPI measures inflation, the change in the price of goods and services over time. For housing. This is kind of confusing because homes can be seen as both goods and services. But basically, CPI measures changes in the value of the service that homeowners technically consume by living in their homes, that service being shelter. So let's say a landlord's

property, how to base your income of \$300,000 and a CPI of \$20,000. The landlords reasonable rate of return would be the 300,000 plus the \$20,000, which is \$320,000. If the rent cap prevents the landlord from making this amount of income, then the landlord can apply for an exemption. Landlords can also request an exemption if the number of tenants allowed to live in a rental property has increased since May 1 2022. For each additional tenant allowed to live in that unit, the rent can increase by 15%. Another reason for exemption is the cost of capital improvements get ready for another wordy definition. A capital improvement is defined as an improvement to a unit or property which materially adds to the value of the property or adapts it to a new use and has a direct cost of \$250 or more per unit affected. So for example, if your landlord installs new kitchen cabinets or finishes the basement of a property those would be considered capital improvements. Landlords can request an exemption to the rent cap to offset the cost of capital improvements but the right An increase requested won't be put into effect until the capital improvements are completed. All these exemptions beg the question, what do we value more business interests, or the security and support of renters. For this episode, I spoke with Tom long former campaign manager for the cube St. Paul home rent stabilization campaign to see what she had to say about rent stabilization, what it looks like and where it's going.

Tram Hoang 5:29

My name is Tram Hoang and I use she/her pronouns. I was the campaign manager for the Keep St. Paul Home campaign. And I'm also the Director of Policy and Research at the Housing Justice Center. I came to the Twin Cities for graduate school, and I really, I didn't want to be the person that showed up and said, Hey, I know all the answers, right? No one, no one appreciates that. And also, I was a young grad student, I didn't know all the answers. And so a lot of what I worked on was really dictated by the people who were organizing in St. Paul and Minneapolis.

Hilary Kaufman 6:00

Why rent stabilization, specifically, like when you came to organizing in the Twin Cities? Why was that the issue that you wanted to organize around?

Tram Hoang 6:08

The idea of 100 stabilization was that, you know, we know that the Twin Cities is a fairly affordable place, right relative to other cities in the country, it's a fairly affordable place. And we saw the signs right home values have been have doubled in the last 1015 years, new investments like stadiums and transit lines have been causing a lot of displacement in low, low wealth communities and communities of color. And these are all the telltale signs or every city that's gone through gentrification in waves can tell you that these are the signs. And I think what we wanted to do was really learn from that and and say, yeah, there are ways we can prevent the displacement investment is good, as long as we can ensure that the people who've lived there can benefit from it. And rent stabilization was one of those tools, because what we noticed is that although rents weren't going up drastically across the city, it's different for for renters of color. Right, it's different for low wealth renters who are earning like zero to 30% AMI.

Hilary Kaufman 7:07

AMI refers to area median income. This is a metric developed by the US Department of Housing and Urban Development that is used to determine who is eligible to live in affordable housing, you have to make a certain amount of income relative to the AMI. In order to qualify, for example, in the Twin Cities, those looking to rent affordable housing units must make 60% or less than the median income and those looking to own affordable housing units must make at most 80% of the median income.

Tram Hoang 7:36

And that was the the root issue. It wasn't that you know, rents not going up to too much. It's okay. It's that rents are going up egregious Lee and in predatory ways for low wealth, renters and renters of color. And if we want to advance housing justice in our city and make sure it's an equitable place, we have to make sure that the people who have most historically been harmed and discriminated by our housing system have protections. And now there's a whole suite of protections that will ensure that but rent stabilization has such a big role to play because the rent eats first, right? The rent takes up the most of anyone's monthly costs. And in the way that our housing system is set up means that a landlord can increase rent by any amount that they want. And that's that's frankly, ridiculous to have no protection like that. Our coalition came together. After working on tenant protections and said, Let's make rent stabilization happen. You know, some people say it can't be done. But this is a moment of crisis it was when the pandemic first started, we were seeing. Luckily, with the eviction moratorium, not many people getting evicted. But we knew that once those protections were lifted, and once the economy recovered, it would mean bad news for folks who are renting. And so we came together. And we did a ton of research, we looked at cities across the United States, and there are over 180 cities in the US with rent stabilization or rent control. So there's a lot to learn from, we're certainly not the first city to do it. And we talk to people in those cities, we run those programs, we benefit from the programs and the laws, and tried to shape the policy that would match St. Paul's housing market the best because we knew that we couldn't just copy and paste an ordinance from another city. And what we found in looking at the research out there, and specifically looking at the Center for Urban and Regional Affairs rent stabilization study, they were hired by the City of Minneapolis to do a study. They're based out of the University of Minnesota. And what they found by just reporting on the history of rent increases in the Twin Cities is that median rent increases in the past 1015 years. We're not above 3%. And so what that told us is the vast majority of renters aren't seeing rent increases over 3%. And the vast majority of landlords don't need to increase their rent more than 3%. And that's why we set our rent cap at 3%. Because the the flip side of that is that as we were door knocking and talking to renters in historically disinvested neighborhoods, they were seeing rent increases of over 3%. Right they were seeing rate increases of \$100 a month, like three months in a row they were seeing rent increase As of 30%, of like, \$300. And so we knew that while the vast majority of St. Paul renters weren't experiencing it, the people who were experiencing predatory rent increases were more likely to be low wealth and renters of color. So this was really a policy to advance racial equity in our housing system. And I think for us, housing justice is racial justice because of the history of our housing market, and who, you know, who was more likely to be a renter, who was more likely to have predatory landlords and, and all of that. And so that's how we came to our policy. And then we knew that in order to win a campaign, we would have to mobilize people across the city. And

so we built out of a really robust coalition across St. Paul and involved no district councils that involved faith based organizations, policy organizations, affordable housing developers, unions, I think everyone has such a deep connection to housing, because everyone has to have a home, right. And so this was an issue that really was not only bipartisan in many ways, but it just went across sectors in St. Paul specialty, sometimes issues seem very sector limited. And there's not a ton of folks who are willing to or even have the self interest not even willing to write I think we all want to support each other. But there's not the capacity or self interest to mobilize across sector. And I think what rent stabilization had the potential to do for tenants in our city who make up more than half of our residents was so it was something that everyone was thirsting for. So there are so many housing policies that people were already fighting for. And, you know, we came off the win of first of all tenant protections in Minneapolis, and in 2017, I want to say maybe 2018, can't remember. And then St. Paul also passed tenant protections in 2019. And I think that was the momentum, we needed to really focus on something that I think everyone dreams of winning, right? Rent Stabilization is something that everyone wants, it's it's as basic as minimum wage for labor, right? We just need basic protections for folks.

Hilary Kaufman 11:56

Totally, that makes a ton of sense. And you know, all the reasons you just listed are so many reasons why rent stabilization is important and is necessary, but there is opposition to rent stabilization. And I was wondering if you could talk a little bit about those exemptions that people like Mayor Carter have supported, like the reasonable rate of return for landlords and new construction potentially being exempt for the first 15 years after it's built? What do you think about these exemptions? And how can people respond to these loopholes and exemptions that are being promoted?

Tram Hoang 12:25

Yeah, that's a great question. You know, there are a few things. So first of all, when we look at rent stabilization policies across the country, reasonable rate of return is just like, it's like a constitutional guarantee that has to exist in the policy and when our coalition drafted the policy that was in there purposefully, because we know that policies have to be strong, but also have some amount of flexibility. So a reasonable rate of return, I think, is depending on the measure that you use to determine what a reasonable rate of return is. It's a very necessary component to the law, which is why we have it kind of stepping back big picture. If you looked at the campaign that happened in St. Paul. So housing equity now, St. Paul, which is the coalition behind the keep St. Paul home campaign or grassroots neighborhood based like St. Paul based organizations, right? If you look at the opposition that came out against us, they spent over \$5 million, which is kind of unheard of in in Minnesota politics, let alone St. Paul politics, right, sending mailers day after day, it's really important to name that the opposition was well funded. But when you look at who it is, they weren't actual people, right? They were LLCs. They were landlords, they were Realtors Association is just the typical people who have a financial interest in being able to increase rent at whatever amount they want. And of course, that's why they fight it. And the fact that they can increase rents by however much they want is why they had \$5 million to spend on a campaign right? It's frankly ridiculous because they could have spent that money doing so many other things that would have actually helped us create more affordability

in our cities create more housing, security and stability in our cities. So you know, there's the opposition. And if you look at housing campaigns across the country, rent stabilization or tenant protections, hear the same old messages, right? Oh, you can't inhibit the market, the market will work itself out, which is not true. The market is what has created our current housing environment, right? That's created the redlining and it's perpetuated the racial discrimination and there's just so many things wrong with our housing system that it's insanity to believe that we should just let it continue to run unfettered. But the opposition also tries to misinform people because they know that rent stabilization is a winning issue. When you start pulling for any campaign around rent stabilization. It's very clear that the majority of people support it. And the only way to get past majority support is to confuse people. And that's what they did, right? They were like, oh, you know, rent stabilization is gonna make it harder for people to buy homes. Rent Stabilization is going to make it harder for people of color to build wealth, just saying things that they know, people care about, and misinterpreting them to blame rent stabilization, even though it's very unrelated to that issue. I mean, if anything, rent stabilization helps people build wealth because once they have stable housing costs, they can actually save money. And so you know, they had some ridiculous claims. The biggest thing that like like you mentioned, Mayor Carter wants to see a 15 year new construction exemption. That's not One thing that the real estate industry has pushed for in every city that has passed rent stabilization, and they have successfully won that in many places, for example, my home state of Oregon, they passed a statewide anti rent gouging policy. And it exempts new construction for for a long period of time. These are the negotiations that people in power have to make, you know, I'd like to believe that people in power want to do what's right to advance racial equity in our city, especially Mayor Carter based on what we've seen him do and with other policies, but if you want to stay in office, you have to give in a little bit right to demands of the people who donate to campaigns, the people who dictate the growth of our city. And I think a lot of the real estate industry here is essentially pulling a capital strike, right? They're saying, Oh, if you pass rent stabilization, we're going to stop building. And that's really going to hurt you. That's what you get for passing a policy that hurts our bottom line, we're just not going to build here. And frankly, that's not the kind of developer that we want in our city, right? Do you want a developer that builds to meet the needs of the city? Or do you want a developer that builds only when they can maximize the wealth that they can extract out of community? So you know, I understand that new construction exemption has to be proposed, because that's what the opposition wants. I don't think it's a great idea, right? Because when we look at Rent Stabilization, it's most effective when it covers as many people as possible, you don't want to create a housing system or housing market where all of a sudden, there are some people who are protected, and some people who aren't, because that creates an incentive for landlords to turn all their units into units that aren't covered. And new construction exemption starts to do that, right. If you you know, if your building is 14 years old, and you're about to enter, getting covered by rent stabilization, there is now an incentive to tear down your building and replace it with a new one just so you can be exempt for another 15 years. It's really dangerous, right? It's really dangerous. And it also goes against this basic dignity of Doesn't everyone deserve protections, you know, what makes someone who lives in a five year old building different from someone who lives in a 50 year old building, we all need to know what rents gonna be, we all need to be able to put roots down in our community. And so I think a new construction exemption is a very harmful way of

trying to make some people in power happy without thinking about the real consequences to low wealth, renters and renters of color.

Hilary Kaufman 17:14

I was wondering if you could speak to also what you see as the future of rent stabilization in St. Paul, or the future of housing issues in general, like what is the next step now that this policy has been passed and put into place?

Tram Hoang 17:26

A lot of people think that the win ends up the win. And that is certainly not true, right? Because once we win something on the ballot, first of all, that's a huge accomplishment that we should be celebrating. But it doesn't ensure that the law you passed through the ballot is going to be implemented. So I think campaign campaigns, this campaign was almost three phases to gather the petition signatures to get it on the ballot, we had to win the ballot initiative. And then we had to make sure that city hall actually implements what the voters voted for. And that's a different kind of battle, because they're always barriers that that people want to put up, whether it's Oh, we don't have enough staff capacity, or oh, this is just so much work. And there's always there are always reasons out there for cities to not center renter led policies. And I think it's really fascinating that we have this entire like city enterprise, right that employees, hundreds of staff members puts millions of dollars into investing in so many different sectors of our city. And yet, we don't have any department or any staff who are actually dedicated to supporting renters, who make up half of our city. And so this idea of like, oh, there's just it's too much work, there's not enough capacity, we should be creating capacity to support renter issues, you know, some cities have an Office of the Tenant Advocate or office of tenant protections, like we need something like that when when renters make up so much of our city, I think, for me, like this latest part of the campaign has really been mobilizing the same people who came out to vote to continue putting pressure on on city council to you know, pass the budget resolution to hire staff to implement to get the Department of Safety and inspections to create rules around how to implement this policy, and then to make sure that they're actually implementing it. So you know, we're in touch with renters who receive a rent increase of more than 3%, which is now illegal, and, you know, we're supporting them. We're saying here, you know, go to this resource, you know, talk to the city, because a lot of times people don't trust the city, and especially renters if you know that the city has never created roles to support you, then why would you think that they're going to support you now? Right. And so organizations like home line or housing Justice Center, legal advocates around housing, they're the ones that people rely on a lot. And so of course, it's added capacity, it's added pressure for them as organizations. It's also added pressure on us to make sure that city council actually does their job of implementing what the people voted for. And then beyond that, I think there's great momentum for housing policies and tenant protections. Brooklyn Center recently passed just cause which is an ordinance that requires landlords to cite an actual reason for not renewing a lease or for evicting someone so you can't just say you're getting evicted. You have to say So this is a reason why and it has to be one of the, you know, dozen or so reasons that the city lists like, Oh, you didn't pay rent or you violated your lease. But you can't just non renew someone because you don't feel like it. And I think that's a really important policy that St. Paul needs to bring back. We had it in 2019,

before City Council voted to repeal it. So I think now that we've seen Brooklyn center passage, we know it can be done. And I think that's what's needed next for St. Paul to complement a strong rent stabilization policy. What we have historically heard about rent control, or rent stabilization has been a set of myths that are perpetuated by the real estate industry, for us to believe in policies that work against our best interest, right, because stabilizing rents, and making sure that people have predictable rent increases is such a basic right that homeowners have it right homeowners know what their mortgage is going to be for 1520 30 years, and and they have a fixed interest rate, which means, you know, outside of property taxes, that mortgage stays the same. All we're asking for renters is that rent is increased at a reasonable rate a year. And so I think, you know, we have often been trained to think, in the United States that rental property right to profit is so

it's so foundational, when we have created actually a federal policy for rent control for homeowners. And so you know, it's not rent controls, or rent stabilization is not the radical thing that that the real estate industry wants us to believe it is. It's really such a basic right is just like minimum wage, it's like our fixed interest rate mortgage, it's such a basic piece to our housing system. And, you know, I think I would just encourage folks who, you know, if you haven't dug into the research of how rent stabilization actually benefits people, and you only rely on the economic theory, that's really harmful, right, because economic theory, projects, things that don't always come to fruition in our actual housing market. And our housing market has evolved so much in the past few years, you know, now we see the the presence of predatory and corporate landlords in ways that we would have never predicted 30 or 40 years ago, our housing system has evolved so quickly. And we can't depend on economic theory to project outcomes. We know what the outcomes are. We know where the racial disparities are in our housing system, we know what's wrong, and the people who are experienced the issues have the solutions. And so we need to start centering them in policymaking. We need to start centering renters who are very clearly witnessing the power and balance of our housing system and start to shift those powers good public policy doesn't come from you know, depending on good people, right, good public policy means being aware of all the incentives out there, all of the power dynamics and shifting the power dynamic. So you know, I would just like caution people if you're if you're hearing from people who don't want rent stabilization, and they have a financial interest in making sure it doesn't exist really analyze that.

Hilary Kaufman 22:51

That was episode one of the East Side Unified Housing Justice podcast. Thank you so much for listening and thank you so much to Tram for speaking with me. Do you want to learn more about housing justice issues like rent stabilization? Subscribe to our monthly East Side Unified Housing Justice newsletter to learn more about these issues and how you can get involved. Our show notes include a subscription link so you won't miss the next newsletter.

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