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**TIM NELSON:** It's *Minnesota Now*. And I'm Tim Nelson. One of the big stories we've been following at MPR News, St. Paul city council has voted five to two to roll back parts of its rent control policy that was put in place less than five months ago. The details of the rent control policy made it one of the most stringent of its kind in the country.

The changes to the policy, which were passed last week, mean that now many buildings are exempt from a limit on rent increases. Max Nesterak has been following the story closely. He's deputy editor of the *Minnesota Reformer*. And he joins me now. Max, welcome back to *Minnesota Now*.

**MAX** Thanks so much for having me on, Tim.

**NESTERAK:**

**TIM NELSON:** So let's start at the beginning here. When voters went to the polls last November, this passed with a 53% yes vote. What did they actually approve?

**MAX** So voters in St. Paul approved one of the most stringent rent control ordinances in the country, as you said. They approved rent control at 3% annual increases for all units across the city no matter when the property was built, no matter how big the property is, and even when tenants move out. So if a tenant moves out, a new tenant moves in, the 3% annual increase cap stayed. And so this universal approach without any other carve-outs was unique from other rent control policies across the city or across the country.

**TIM NELSON:** And I know that brought some criticism right away. Who was bringing that criticism? And what did they say?

**MAX** Well, there was a lot of criticism from developers and even many in the so-called YIMBY movement, the yes, in my backyard, who argue that you need to build more supply. And that's really the way you bring down rent prices or at least stabilize rent increases.

They say a policy like this that doesn't exempt new construction which every other state or city with rent control does, it would just crater development and that developers just wouldn't come in. They wouldn't be able to find investors to back their projects. And so you would end up exacerbating an affordable housing shortage by cutting off new supply when demand is growing and supply is already so short.

**TIM NELSON:** And it looked like the city had some numbers on that actually. Do you know what they were?

**MAX** I do. Let me let me pull them up here. In the report, it's kind of difficult to say everybody's trying to figure out what's going on because we haven't had-- not a lot of time has actually passed since this was approved in November. We have about a year. It didn't go into effect until May.

But what we do see is stark. A city staff told the St. Paul city council that rental construction permits were up about 30% across the twin cities metro. But it was the reverse for St. Paul in 2022. It was--

**TIM NELSON:** It was down.

**MAX** --down 30%. Right. So it seems like what everyone warned or what a lot of people warned going into this policy, that new construction would halt, seemed to materialize.

**TIM NELSON:** Now, St. Paul Mayor Melvin Carter initially endorsed this but almost immediately set up this advisory panel and then told them from the get-go that he wanted to see exemptions for new construction, including retroactive exemptions. And now the city has followed with their own changes. What do these mean for renters and landlords?

**MAX NESTERAK:** Right. So Mayor Melvin Carter came out with, I would call it a pretty tepid endorsement of the policy. He made his endorsement on Twitter less than a month before the election last October and said he's voting yes on rent stabilization. But he said, quote, "Not because the policy is flawless as drafted-- we can and must make it better quickly-- but because it is a start."

So even in his endorsement, he said, "I'm not endorsing the policy as it's written. I think it needs to change." And about right out of the gate, as you mentioned, he said, he wanted to see an exemption for new construction because he was hearing so much feedback from developers that investors had pulled out.

Investors could be hedge funds, but they could also be pension funds, union pension funds, teachers pension funds, big investors. And they can take their money anywhere in the country. And if they see that there's just too much risk in St. Paul or there's less risk elsewhere, they're going to go there. And that's what developers say happened.

**TIM NELSON:** So what did they actually approve? What are these exemptions? And what do they mean for people who live in rental housing?

**MAX NESTERAK:** Right. So as you alluded to at the top, the changes that the city council approved and that the mayor signed off on really changed this policy from being one of the most stringent in the country to something else entirely. There is an exemption for new construction for up to 20 years. There's an exemption for affordable all affordable housing.

There is some vacancy decontrol. I hate to use that term. But that means when a tenant moves out, the landlord is able to raise rent 8% plus inflation. Developers and landlords were calling for there to be no restriction on how much they can raise rent when a tenant moves out. The compromise was 8% plus inflation. And the city council has also explicitly stated that inflation is a reason to get an exemption.

I should say this policy was written by activists and passed by citizens without the input from the council. Actually, a majority of the council members did not support this ordinance as written and approved by voters. And the people who wrote the ordinance chose 3% because they were looking back at the past 20 years. And they say, well, the average has been about 3%, so we think that's a reasonable cap on rent increases. Well, you know the story. What happened next was we've seen inflation reached the highest it's been in 40 years.

**TIM NELSON:** I've seen some renters actually appealing their rent increases already and being turned back even before this change happened. What's happening there?

**MAX NESTERAK:** Right. So this process does give renters an avenue to appeal the rent hike. But I'm not aware of the city finding in any renter's favor yet. There's still a lot of appeals coming in. But for the most part, every landlord that has applied for an exemption to the 3% cap has had it approved.

**TIM NELSON:** Last question here. I imagine in Minneapolis where voters authorized but didn't really detail rent control, they're watching this pretty carefully. What's the status over there?

**MAX** So the workgroup just started meeting. A workgroup made up of developers, landlords, and renters just started  
**NESTERAK:** meeting. They'll meet through the end of the year and come up with a report to present to the city council and the mayor on what they think kind of policy that city should pursue.

**TIM NELSON:** And what's the process there? How will that actually happen?

**MAX** Right. So the workgroup will present its report to city leaders. I should note that it seems activists with all the  
**NESTERAK:** turmoil and discussions that go on in St. Paul, they're holding fast that they think they want a policy that applies to new construction, that doesn't exempt affordable housing, that holds down rents at about 3% increase a year.

The city council will have to vote and decide. And after that, it's likely that the policy will again go back before voters for ratification. And that's because the state of Minnesota, a city is not allowed to pass rent control, unless approved by a majority of voters in a general election.

**TIM NELSON:** Very good. Thank you so much.

**MAX** Thanks for having me on.

**NESTERAK:**

**TIM NELSON:** Max Nesterak is deputy editor of the Minnesota Reformer.