

**CATHY WURZER:** Landlords are facing rising costs for repairs, materials, and energy just like everybody else, but St. Paul's new rent control law is capping the amount landlords can charge for rent. And now some tenants are saying their landlords are trying to get around the city's new rent control law and charging more than is allowed. Max Nesterak is deputy editor at the *Minnesota Reformer*, that's an online news website. He joins us right now. He reported on this issue. Welcome back, Max.

**MAX NESTERAK:** Thanks for having me on, Cathy.

**CATHY WURZER:** I know you talked with some renters in St. Paul. What are they saying is going on?

**MAX NESTERAK:** So the renters I spoke to were surprised to learn that their rent was going up 3% and on top of that, they were going to start being charged for water, trash, and shared heat, charges that used to be included in the rent. The two renters I spoke to both said that means double-digit rent increases over from the year before.

**CATHY WURZER:** So the landlords appear to be pulling out the charges for utilities and charging them separately, right? Are they allowed to do that under this new rent control ordinance?

**MAX NESTERAK:** So the city says, no, you can't do that. And the Housing Justice Center president Margaret Kaplan-- who's a lawyer, who represents tenants, and helped craft the ordinance-- also says, no, you can't do that. Landlords say, yes, we can.

Utilities aren't mentioned in the actual ordinance that was drafted and approved by voters. So it'll come down to a court fight likely. And it's going to be really a first test of the city's interpretation of an ordinance that its city leaders didn't help write. And a test of the city's ability to enforce that interpretation.

**CATHY WURZER:** And the rents, as you say, Max, some have gone up by 3%. Was that the cap by the way under the ordinance?

**MAX NESTERAK:** Yeah. Right. So the cap is 3% on all properties throughout the city. And when activists crafted this policy, this was before inflation was on the cover of newspapers several times a week. And activists defended this by saying we looked at average rent increases, and they tended to be less than 3% in the Twin Cities, and, therefore, we think 3% is a reasonable rate at which rents can rise.

Since then, we're hearing loss about inflation being the highest it's been in 40 years. And so that's really testing the premise of that decision. Because rent stabilization policies across the country typically, as far as I know, they all take inflation into account or else have a board that oversees it that would consider how costs are rising and how much landlords should be allowed to increase rent year over year.

**CATHY WURZER:** So you mentioned that these are big rent increases given in total now with utilities and then the rent. How are some people handling this?

**MAX**  
**NESTERAK:** So the one renter I talked to, Josh [INAUDIBLE], he said he tried to get his tenants or his neighbors in his building to band together and write a petition saying, please, reconsider. This is really more than we've ever experienced in a rent increase and is unpalatable and unaffordable. Then the landlord came back and said, oh, actually, we have to renovate your unit, so your lease isn't going to be renewed.

So he and his roommate are now looking for another place to live, which is challenging because they say it's going to be hard to find something as affordable in a safe neighborhood. They were paying about \$1,000 a month. And they calculated with the utilities and the 3% increase, it was going to be about a 14% increase on top of that.

So if they stay, he thinks his roommate will have to quit college. He's putting himself through college right now. He's a nontraditional student. The tenant I spoke to thinks he's going to have to pick up a second job. I've also heard stories of people's neighbors having to move out and just saying I can't afford this.

**CATHY**  
**WURZER:** Are some renters saying that landlords are trying to get around the rent cap? Are they making that accusation?

**MAX**  
**NESTERAK:** Yeah, and the tenants I spoke to are filing complaints with the city, which are still being reviewed. They are getting legal help from lawyers and trying to fight this. So their argument is, I was paying for these utilities in my rent last year.

Just because you're separating it out as a separate charge, doesn't make it any different. You're just adding a cost onto a cost that I was already paying if that makes sense. So they really don't see it as a legal way of getting around the city's cap on rents at 3%.

**CATHY**  
**WURZER:** And you've had a chance to talk to the landlords?

**MAX**  
**NESTERAK:** I have. The one landlord I spoke to said, we think what we're doing is perfectly OK. The ordinance doesn't mention utilities. Again, this is probably going to have to get fought out in court.

And it's just a challenge for landlords because, like you said at the top, their costs are rising. They're paying more for to heat buildings. They're paying more for repairs.

Now I should mention that the city does have an option for landlords to quote, unquote, "self-certify" up to an 8% increase. They submit some paperwork to the city, saying, we need to increase rents up to 8% because our increased cost justify it. And the city automatically rubber stamps that increase. And then they'll do a random audit when you file your tax returns.

You file the paperwork, the government approves your tax return, and they take a sample and audit them. And even ones beyond that, it requires more paperwork, but landlords can legally increase rent up to 15% if they can prove that the costs justify it. And these landlords haven't done that. They haven't requested an exemption. They've just added utilities separately.

**CATHY**  
**WURZER:** I see. So what's the next step in this whole process?

**MAX NESTERAK:** So the next step is we'll see what the city says when they do these investigations on these complaints. So I have requests into the city to learn more about the exemptions that landlords have requested, as well as the complaints that they've received and how they'll handle that. So it remains to be seen what enforcement mechanism the city will use to try and get landlords to comply with its interpretation of the ordinance.

**CATHY WURZER:** A lot of reporting here and there's more to come, obviously. Max, thank you so much.

**MAX NESTERAK:** Thanks for having me on, Cathy.

**CATHY WURZER:** Max Nesterak is the deputy editor of the *Reformer*, that's an independent online news site based in the Twin Cities.