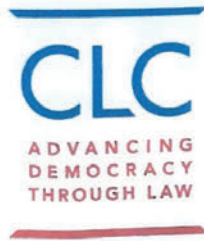


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NOVEMBER 19, 2021 9:27 AM
OFFICE OF GENERAL COUNSEL



November 19, 2021

Federal Election Commission
Lisa J. Stevenson, Acting General Counsel
Office of the General Counsel
1050 First Street, NE
Washington, DC 20463

Re: MUR 7913— Supplement to Complaint

Dear Ms. Stevenson:

The Campaign Legal Center writes to supplement our July 27, 2021 complaint (MUR 7913) against Friends of Hagedorn, Minnesota Office Investments, and Mankato Place 1, LLC.

As described in CLC's original complaint, Rep. Jim Hagedorn's campaign committee, Friends of Hagedorn, used 11 Civic Center Plaza, Suite 7, Mankato, MN as its headquarters since 2013 and until at least February 5, 2021, yet its reports filed with the Commission did not disclose any rental payments for the space. When Rep. Hagedorn assumed his seat in 2019, he began renting official office space on the third floor of the same building at a rate of approximately \$2,200 per month.

CLC's complaint detailed available facts establishing reason to believe that Friends of Hagedorn accepted contributions in excess of federal limits and violated FECA's reporting requirements by accepting and failing to report illegal in-kind contributions in the form of rent-free office space. The complaint additionally alleged that Minnesota Office Investments, Inc. and Mankato Place 1, LLC—the former and current owners of 11 Civic Center Plaza—violated FECA by making those illegal in-kind contributions to Friends of Hagedorn.

The Office of Congressional Ethics (OCE) also reviewed similar allegations, and on July 23, 2021, submitted a report and recommendation to the House Committee on Ethics finding there is "substantial reason to believe" that Friends of Hagedorn "used private office space

at no cost or for a rate below fair market value.”¹ On October 21, 2021, the House Ethics Committee published OCE’s report as it continues its review.² The relevant findings are summarized below.

I. OCE’s Investigation

OCE collected evidence from the current and former owners of 11 Civic Center Plaza, including the rental agreement entered into by Friends of Hagedorn, as well as ledgers showing the rental rates paid by other tenants in the building. According to OCE, these documents confirmed that Suite 7 is a physical office that Rep. Hagedorn’s campaign committee rented at no cost or well below market rate.

OCE obtained a rental agreement between Friends of Hagedorn and the building owners, which described Suite 7 as an 879 square foot unit at 11 Civic Center Plaza, and which stipulated that the campaign committee will pay “\$100 in equal monthly payments, in advance, without prior demand on the first day of each calendar month during the term.”³ The term of the lease was from February 19, 2018 to November 30, 2018.⁴

According to documents obtained by OCE, a prior tenant rented the same 879 square foot space from 2011 to 2014 for \$952 per month.⁵ Other tenants paid far more than \$100 per month for smaller basement units. One entity leased a 277 square foot basement unit from 2011 to present and has paid between \$300 and \$325 per month for the space during that time.⁶ Another tenant began renting 324 square foot of basement office space in 2016 at a rate of \$337.50 per month, and that rate was set to increase incrementally each year.⁷

Based on these comparable rental rates in the same building, OCE estimated that fair market rent for the office space would be at least \$1/foot per month, or \$879 per month.⁸ If Friends of Hagedorn occupied the unit for the 9 month term of the lease, the fair market value of such use was \$7,911; if the committee were charged the same rate as the unit’s prior tenant, then 9 months of use should be valued at \$8,568. Moreover, given that Friends of Hagedorn occupied the office space both before and after the duration of the rental agreement, through at least February 5, 2021, the actual fair market value of the committee’s use of the space is certainly much higher.

It appears that the committee failed to pay even the below-market rate reflected in the rental agreement: the building’s former owner provided OCE with only a single \$100 check

¹ Office of Congressional Ethics, Report Review No. 21-7750 (July 16, 2021), <https://oce.house.gov/sites/congressionaletethics.house.gov/files/documents/OCE%20Rev.%2021-7750%20Referral.pdf> (“OCE Report”).

² See Press Release, House Committee on Ethics, *Statement of the Chairman and Ranking Member of the Committee on Ethics Regarding Representative Jim Hagedorn* (Oct. 21, 2021), <https://ethics.house.gov/sites/ethics.house.gov/files/documents/Press%20Release%20212.pdf>.

³ OCE report at 20.

⁴ *Id.*

⁵ OCE report at 20.

⁶ *Id.*

⁷ *Id.* at 20-21.

⁸ *Id.*

from the committee during the rental period,⁹ and Friends of Hagedorn's reports filed with the Commission do not reflect any rental payments in the 2018 or 2020 election cycles.¹⁰

OCE also obtained additional evidence that Friends of Hagedorn physically occupied and otherwise made use of 11 Civic Center Plaza, Suite 7. As noted in CLC's complaint, Hagedorn and the building's previous owner had publicly stated that Suite 7 was not a physical office space, or was merely an "unfinished" space,¹¹ despite ample photographic and other evidence showing Friends of Hagedorn physically occupying the three-room suite and treating the finished space as its campaign headquarters.¹² OCE interviewed Rep. Hagedorn's former chief of staff Peter Su, who "told the OCE that when he visited the district office he was given a tour of both the official district office on the third floor of 11 Civic Center Plaza and a campaign office that was housed in the basement of the same building. Su described the office as having desks, cubicles, computers, campaign materials, and campaign mail."¹³ OCE also interviewed a field organizer for the Republican National Committee during the 2018 election cycle who had posted a photo on social media of the Hagedorn campaign headquarters, and who confirmed that the photo was taken in Suite 7 and that it was used as Hagedorn's campaign headquarters.¹⁴

II. The Commission Should Find Reason to Believe Respondents Violated FECA

In light of this evidence, OCE found substantial reason to believe Friends of Hagedorn violated FECA and House rules by accepting and failing to report illegal in-kind corporate contributions in the form of rent free or below market rate office space.

For the same reasons, the Commission should find reason to believe that Friends of Hagedorn illegally accepted in-kind corporate contributions, in violation of 52 U.S.C. § 30118(a), and failed to report those contributions, in violation of 52 U.S.C. § 30104, and that Minnesota Office Investments, Inc. and Mankato Place 1, LLC violated 52 U.S.C. § 30118(a) by making those illegal corporate contributions to Friends of Hagedorn.

Respectfully submitted,

/s/ Brendan Fischer

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Counsel to Complainants

⁹ *Id.* at 20.

¹⁰ Complaint ¶ 13.

¹¹ Complaint ¶¶ 16, 18; *see also id.* ¶ 26.

¹² Complaint ¶ 24,

¹³ OCE report at 20.

¹⁴ *Id.* at 19.

November 19, 2021

VERIFICATION

The complainants listed below hereby verify that the statements made in the attached Complaint are, upon their information and belief, true. Sworn pursuant to 18 U.S.C. § 1001.

For Complainants Campaign Legal Center
and Sophia Gonsalves-Brown

B F

Brendan Fischer



Sworn to and subscribed before me this 19th day of November 2021.

[Signature]
Notary Public