

My business provides rental housing in central Maine. We manage several single family rentals, duplexes, and a fourplex in the greater Waterville area. We provide excellent housing – housing that I would happily live in myself. I am writing in opposition to LD 1710. I fear that this bill will ultimately raise the cost of housing throughout Maine by substantially increasing landlord costs and risks. Please vote “No” on LD 1710.

This bill states that credit reporting is prohibited in the event that a tenant fails to pay. This is unacceptable. As property managers, our primary incentives to ensure payment is the risk of credit reporting and eviction. We do not wish to evict tenants – that is bad for both the landlord and the tenant, and evictions are a means of last resort in my business to remove undesirable tenants. Credit reporting encourages full payment of rent. In my business, we have to assume at all times that we have at least 10% vacancy and/or non-payment of rent in all of the units. This helps to calculate how much we should charge to cover for business costs and still maintain a profit margin. If credit reporting is prohibited, we will need to change the vacancy/non-payment calculation to greater than 10% to off-set the increased risk of non-payment to maintain solvency. This means that we will need to raise rents in all units to off-set the increased risk. Raising rents is clearly bad for tenants, but it’s also bad for landlords – it makes it harder to find tenants capable of paying. We have already raised costs significantly due to inflation increasing the costs of repairs and routine maintenance in my units, as well as the increased cost to purchase additional units. These costs are significant; essentially double what we used to pay prior to pandemic. We have already raised the costs of my rents by several hundred dollars since the start of the pandemic, but the actual profit has stayed stagnant. The people of Maine do not need bad legislation to raise costs further.

This bill states that owners of more than 10 units must provide at least 10% of their units as affordable housing. This section does affect us. Our business model provides more luxurious housing than the average rental in Waterville – we own and operate several single family homes, complete with private yards and garages. These dwellings understandably command higher rents. We also make sure that the units in our multi-family units are equipped with tiled baths, modern kitchen cabinetry and appliances, and luxury features such as hardwood floors and air conditioning. The units are also sparkling clean. We do this to command higher than average rents, and mainly attract professional tenants. We would have to cut rent in one unit substantially to meet this requirement. Since we are a business, we will simply raise the cost of the 9 other units to compensate. However, if the market does not support the increased rent, we will have to seriously consider allowing one unit to fall beneath our usual appearance standard – this may involve cutting costs by not cleaning the units upon tenant move out, replacing tiled baths with glue-ups once the tile fails, not bothering to buff out scratches in the hardwood floors, covering the hardwood floors with rug if the floors become too damaged, not bothering to repair minor drywall scratches, not bothering to replace trim clawed by pets, placing sub-standard kitchen appliances, etc etc in order to reduce our routine maintenance and repair costs. This is bad for tenants – high quality units attract excellent tenants, and market competition forces other landlords to raise their own appearance standards in order to compete. Over the course of years, this bill will cause the average quality of the rentals will DECREASE in Maine due to this lack of competition. This will result in all tenants paying higher costs for dirtier, less attractive, less modern housing and does nothing to help the affordable housing crisis.

Section 8 simply does not pay going market rates. Compliance with Section 8 and similar programs is also extremely difficult. Section 8 will deny placing a tenant if, for example, a smoke detector battery is dead. While it is the law that landlords need to provide smoke detectors, we disagree with Section 8's policy of waiting weeks to re-inspect a dwelling over such a small detail that could be fixed on the spot. During that time, the tenant goes un-housed and the landlord goes unpaid with an empty unit, when such a small detail can be resolved within an hour of its discovery with a quick trip to the store. In this way, Section 8 tenants are relatively high risk from a business perspective – the pay is sub-par, and the risk of vacancy is higher. Understandably, many landlords do not want to wait for these tenants when other tenants are frankly easier to house more reliably. This keeps the business solvent.

This bill further states that landlords can only receive rental assistance payments under certain conditions. These conditions include excluding credit score and rental history from the application, waiving late fees, and not evicting tenants for non-payment. This is unacceptable. Credit score is a reliable predictor of a tenant's ability to pay, and usually a good predictor of how respectful a tenant will be to both the landlord and the property. It is a powerful tool to help landlords select tenants who will be successful to minimize the risk of non-payment and eviction. This is good for both landlords and tenants – no one wants an eviction to occur. Late fees also create incentives for tenants to pay regularly and on time. If we waive late fees for some tenants, then we must waive late fees for all tenants to stay in compliance with fair housing laws. It is discrimination for us to waive fees for some but not others. Finally, why can't a business evict someone from a property if they fail to pay rent? Why are businesses expected to subsidize other people's housing by absorbing a loss of income? I can easily imagine a scenario where a tenant continues to live in rental housing indefinitely, not paying their share of the rent, and the landlord is powerless to do anything about it until they are ultimately forced to foreclose on the property due to loss of income to maintain it.

Finally, there is language in this bill that states that landlords may be held to the same building code as "new construction" in Section 3 Subsection 5 B.b. This is dangerous language for the state of Maine. We have the oldest homes in the nation, and I know for a fact that only one of our properties was constructed after 1980, and our oldest property was constructed in 1890. It is impossible to bring old buildings up to modern code without tearing down essentially the entire property. We can afford to rehab old buildings and bring them into compliance with code for existing construction; we most certainly cannot afford to tear buildings down and re-build like new. Please be prepared for massive increases in rents if you wish to make all units compliant with code for new construction.

This is a bad bill for Maine. While it comes from a place of good intention, it ignores the business realities that ultimately make providing rental housing more costly and difficult to provide. Maine needs legislation that incentivizes the construction of new units to increase housing supply and decrease market pressures. Maine also needs to consider legislation that would decrease the cost of doing business for landlords so that tenants have fewer costs to cover with their rent. Please vote "No" on LD 1710.

-Jamie Nickerson

Fairfield, ME