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LD 1490

We are Deb and Ken LaVoie, owners of Southern Angel Properties which was founded in 2009 and has owned and operated as many as fifty-two residential rental units in Waterville & Winslow, Maine. My wife and I have been landlords in this community since 2009 and are the “unofficial” preferred rental agency for two local universities and enjoy one of the more favorable reputations of housing providers in this area. I believe these “credentials”, albeit subjective, lend above-average credibility to our opinions & perspective and I thank you in advance for your consideration.

The purpose of this piece is to give what I hope is fair, reasonable and balanced perspective and context to the recent legislative efforts in regards to regulating the housing industry; in particular LDs 1490.

Even as a conservative voting, capitalism loving businessman, I recognize the need for some regulation. Let’s face it: As landlords, we’re asking our “customers” (The residents of our buildings) to fork over about a third of their income in exchange for putting a roof over their head. That cannot be ignored, yet we cannot regulate away every compelling story or complaint. Additionally, land lording has many unique stresses and risks that set it apart from other industries. It can be lucrative but the stress, unpredictability, hard work and dealing with the (hopefully occasional) unsavory character is such that a government is advised to help make the barrier to entry and continued ownership easier, not harder.

Unfortunately, landlords are at the helm in an industry where a good percentage of their prospective customers lie to them to become customers. Often they’ve been evicted from another place, leaving thousands of dollars in cleaning and other damages. In fact, we ourselves are owed more than \$55,000 spread over forty tenants, consisting of unpaid rent, cleaning, painting, smoke and pet-urine mitigation, and other damages.

The dangers of placing limits on rent increase & move-in costs: (i.e. proposing that landlords cannot increase rent more than 10%, or a certain percentage more than the CPI, for example): Many of us small landlords who value long-term tenants have deliberately foregone rent increases for multiple years. Additionally, any savvy property investor will tell you that it’s wise to budget approximately 8% per year for vacancy, to account for move-outs, vacancies or evictions. When a resident stays put for a decade, they’ve (potentially) saved us 8% per year for 10 years. Our response (assuming the tenant is desirable otherwise) is to return part of that savings to the tenant by foregoing (at least some) rent increases. We often go 5-7 years without increasing rent of good, stable, tenants who pay on time. We have a nice couple who’ve lived with us in 3 different apartments over a decade. They’re paying \$765 per month for their 2-bedroom apartment in a building where we just rented a similar apartment for \$1,200. If we were to catch wind of an annual limit on rent increases, I can promise you that the first thing we’d do is to immediately raise the aforementioned couple’s rent by at least \$200 per month, so that we aren’t potentially caught in a situation where our hands are tied in bringing that unit up to market rent.

As for limiting the funds a landlord can collect upfront, one must bear in mind that up-front collections are a profoundly necessary risk mitigation strategy. Again, landlords have very few tools at their disposal to offset the risk of a non-paying, bothersome or destructive tenant. Here in Central Maine, I don’t think it’s an exaggeration to say that 1 out of 3-4 applicants are high risk (i.e. insufficient income or financial history, record of judgements, unpaid debt, criminal history, etc.) That’s a 25%-33% of applicants. Our two tools for mitigating those risks are relatively quick evictions, the ability to craft our own leases with adaptive language, and the “paying down” of that risk by up-front collections of at least 3x the monthly rent. We ourselves collect first month’s rent, then a security deposit equal to about 1.5 month’s

rent. This amount of security allows us to mitigate a full month's unpaid rent as well as cleaning and touch-up painting or repairs. Many landlords collect first, last and security. Frankly I don't think that's enough in many cases.

I do understand the issue of sudden large rent increases that sometimes happen when buildings are sold to more "business minded" landlords, especially absentee out of state landlords. I have to ask whether or not this is a widespread problem that justifies legislation which potentially single handedly eliminates the desirability of owning rental property. I don't make such a statement lightly.

The first thing that happens when any law is passed that poses a threat to profits is that the owners of that business raise rates to mitigate the damage done by the regulation. Laws are to society what medications are to the human body: They are designed to fix a problem but often create two or three other problems as a result.

LD 1904 - An Act to Enact the Maine Fair Chance Housing Act. I found the verbiage a bit unclear, but my basic understanding is that we cannot use past criminal history as a criteria on suitability until the applicant has passed on all other fronts (for example, the applicant makes enough income, sufficient credit history, etc.) I don't believe the typical high school educated landlord will be able to properly translate the current wording into a clear and trackable best practice, but more concerning is that it appears to remove a very reasonable and effective risk management strategy from our toolbox. First, I'm very keen to the fact that many people make mistakes, have their brush with the legal system, and then go on to lead very productive lives. But there's an old saying, "History doesn't always repeat itself, but it tends to rhyme!" People don't generally commit and become convicted of a felony or handful of misdemeanors by chance. There's generally a pattern of behavior that's well established and doesn't go away. Additionally, that history usually contains a dozen or so incidents that were overlooked or missed. People can change; they usually don't. To tell a property owner that they have to do business with someone who has a history of violence, theft or other legal trouble is unconscionable. It forces uncomfortable--even unsafe--situations on people that they didn't sign up for.

I thank you all for reading my testimony. I would be honored and happy to be consulted in the future in any advisory capacity.

Sincerely

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