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, 1574 & 1904. Rather than create separate testimony for each LD, I’ll address actual issues that these LDs were created to address.

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. We do understand that housing is currently scarce. And many out of state landlords have purchased and mis-managed properties here. In fact even some landlords who have been life-long residents offer what many would consider to be unlivable dwellings.

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.

I recently had a conversation with Representative Bruce White from Waterville and he cited a couple of examples that gave me food for thought. In particular, he spoke of a disabled (deaf) Waterville woman, living in a small apartment building for more than a decade who was issued a thirty day notice to vacate so that the new owners could renovate. He also mentioned a situation where a landlord doubled the tenant’s rent solely for the purpose of being able to pay off the mortgage earlier to accommodate an early retirement timeline. That tenant was now faced with relocating within thirty days or staying and facing an unaffordable rent. These examples make it seem very reasonable to give people more time to relocate, especially those with disabilities, limited income or in markets like today where housing is scarce in some areas. Example like this amplify the necessity for landlords to behave in a balanced, reasonable and fair manner.

When hearing these stories, one has to ask, “Are these problems that need a legislative solution, or are they isolated incidents which are unfortunately unavoidable as long as there are some unscrupulous (or just ignorant) property investors in our industry? I

believe that landlords are already at a disadvantage when they encounter a tenant who fails to pay rent or causes other problems. This is the problem with passing legislation on an industry that varies so much from area to area or style to style. Most units in Maine are owned by “Mom and Pop” types that may own anything from a single home to a handful of 2-4 units. Then there are 100 unit complexes owned by syndicates and publicly traded corporations or REITs. Landlording & property investment in Portland is so alien to how things are in Waterville that they might as well be different industries altogether. A new law extending the 30 day notice to 90 days might have little to no effect on an out of state business like Keystone Property Management could force a mom and pop outfit with twelve units to close within a year.

Despite the existence of tools like a 7 and 30 day notice to quit (or terminate a lease), it can take 3-5 times that long to extricate a problem tenant if the tenant decides to “hunker down”. Imagine telling a local grocery store that they have to keep giving a person food, day after day, without payment, until the store owner can successfully bring the “thief” to court? Or that you have to keep letting them come into your place of business even though they’re being disruptive and driving other customers out. That wouldn’t pass the straight face test in any arena, yet we landlords endure this sort of problem on a daily basis. We understand there are some differences between housing and groceries, but there’s enough similarity to make the analogy relevant. I don’t think many lawmakers understand that a thirty-day notice doesn’t mean that a tenant is going to be out in thirty days. A thirty-day notice can easily be turned into two to four months. An eviction for non-payment of rent, which begins with a seven day notice, often takes two months. This has become even more relevant since the COVID pandemic. Court staff shortages and mandated video call mediation has extended the eviction process to the point where the terms “7 day” and “30 day” are just the beginning of the process. Of course this is the challenge when lawmakers who’ve never been landlords are creating these laws. I’m sure most of you are under the very understandable impression that terms like 7-day and 30-day indicate the number of days a tenant has to be out! Nothing could be farther from the truth, I’m afraid. In other words, if you think 60-90 days would be more fair, then leave the laws the way they are...because that’s how long it often takes under those laws.

And regarding the thirty day notice: The most frequent utilization of a thirty-day notice is a tool to “stop doing business” with someone who is not a good fit. A tenant who continues to smoke in their unit, has loud parties, is combative or aggressive with other tenants. There is a slew of behaviors that is certainly troubling enough to ask someone to leave, but not concrete or “provable” enough to drag him to court or ask other tenants to testify. The thirty day notice is the only tool in our box in this situation, and removing it would be an egregious violation of basic property rights. I should mention that I’m addressing the thirty-day notice in particular because the recurring theme I see with many pieces of tenant-landlord legislation is an underlying effort to eliminate this tool. And it would be an egregious error; <u>eliminating or extending the thirty-day “no reason / any reason” termination of lease or notice-to-quit would single handedly make residential rental property ownership a precarious and undesirable business to be in.</u>

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 are 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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