

5/10/2023

Dear Committee on Housing,

Re: LD 1710

If LD 1710's primary goal is to drive small landlords out of business, and force them to sell to corporate overlords, then you have written yourselves a great bill. This bill is very problematic for the people of Maine and hardworking small businesses who provide rental housing. It will result in less investment in housing in our state, which will over time degrade the housing stock. This bill is very out of touch with our needs in Central Maine. **Vote NO on LD 1710.**

We are a small rental housing provider in the greater Waterville area. Our business model has been to convert unlivable properties and make them great places to live. I would live in any of our rental homes.

I'd remind you that the lack of units in our state is not caused by rental housing providers. In fact, we are the solution, and you should try to work with us rather than create laws like LD 1710 that attack us. Our tight housing stock has been caused by both underbuilding and overly restrictive zoning by the government that favored the single-family home for decades. Even now, if you want to convert a duplex to a single-family home that's easy. It is much more burdensome to convert a single-family home into a duplex.

I maintain that section 3 of this bill is illegal. I would advise the writers of this bill to become familiar with the Maine Supreme Court ruling *Dussault v. RRE Coach Lantern Holdings, LLC*.¹ In short, it ruled that RRE Coach Lantern Holdings could not be forced to enter a contract with a rental assistance program. Based on this ruling this bill is unconstitutional.

Furthermore, I have grave concerns about forcing housing providers to make repairs to their property to enter into a lease agreement. For example, some housing providers have failed their inspection because the lawn was too tall. That is clearly not a habitability issue, yet both the housing provider and the tenant had to wait a couple more weeks for a reinspection.

The issue with the housing programs is the inspections which take time, and the fact they pay well below the market rate. Why would housing providers keep a unit off the market for a couple of weeks dealing with the housing inspection process, when you could fill it immediately? That loss in rental income could mean the difference of a positive return or a loss on that building for the year. The bigger issue is the programs need to pay several hundreds of dollars more per unit per month to be competitive against market rate housing. For example, on Maine Housing's website they say fair market rent is \$971 for a two bedroom in Kennebec Country, but we can rent nice 2-bedroom units for \$1,400 in Waterville. That difference is over \$5,000 dollars a year. We would lose money on our buildings if we rented them at Maine Housing's prices. They are pricing things from an era before the cost to buy rental buildings and the cost to repair things easily doubled or tripled in our area during and after the COVID boom.

Additionally, some emergency assistance programs like General Assistance are only provided for one month, which will not last the duration of a year long lease term. Will housing providers need to accept

¹ <https://law.justia.com/cases/maine/supreme-court/2014/2014-me-8.html>

one month of assistance, only to have to evict the tenant one month later since the tenant has little to no income? That is setting all parties up for failure.

Finally, many housing providers like more than one month security deposit because when a tenant does not make the payment during their last month, there is nothing left for damages. Most of these programs only allow for one month's rent for a security deposit. Just a couple of months ago we had a tenant who paid two months in security deposit stop paying rent and they moved out and left the place in bad condition. Even after applying their security deposit to their balance, they still owed over \$4,000 in late rent, utilities, and damages. Should we not be able to collect on that debt?

It would be extremely expensive to comply with this provision: "[housing providers will be] required to bring the rental unit into compliance with the implied warranty of fitness for habitation as described in Title 14, section 6021 or local building **or housing codes applicable for new construction**;" Perhaps you should talk with some fire inspectors and code enforcement inspectors and housing providers before making such a requirement. They will tell you can never get these 1900's buildings up to a new construction standard without tearing them down. Do you want to decrease the unit count in our state? It would be nearly impossible without a blank check to bring 1900's buildings that are so common in Central Maine up to new construction standards. There are many parts of building code that make it easier to comply with existing construction. For example, older buildings can have smaller egress windows than new construction.

Frankly a lot of small landlords don't have the deep pockets everyone seems to think they do. I work full time as a teacher. I have a friend who also teaches and has a small apartment building. Her rents were very affordable (around Maine Housing's fair market values), but she was struggling to even pay the oil bill last winter. There would be no way she would have been able to afford a mandated repair by the housing agency.

My next issue is section 4. You have no right to make our units public housing. We have received no tax breaks when we bought or repaired our units, nor have we agreed to give the state any rights of ownership of our buildings. This conflicts with the taking clause of the 5th Amendment of the US Constitution which states, "Nor shall private property be taken for public use, without just compensation." A large number of our units are high-quality single-family homes that rent for around \$2,000 a month and there is no way to turn a profit on those buildings charging under \$1000 per month as this law would require. If you want to create public housing, take some of your funds in Augusta and offer to buy our buildings for fair market value or build your own. Do not steal from us. This bill would force us to sell buildings to get our unit count under 10 to avoid this theft of property by The State. I guarantee the buildings we sell will not be as cared for or as well run. Additionally, in some instances it may make sense to convert a multi-unit building into a nice single-family home to get top dollar during the sale (that is not going to help the number of dwelling units in our state, and would truly make us feel badly as our goal has been to increase the number of units available to our community).

Subchapter 14. 1 is also problematic. The rental assistance program as written has so many regulations associated with it that hardly any rental units will qualify. It precludes doing a background check on applicants, which is something we would never agree to. There is just too much liability if something bad occurred to the neighbors and we did not do due diligence. We always charge late fees for late rent. We cannot waive this fee for one person, or we'd get into fair housing issues, and we have no interest in \$20,000 legal bills dealing with such a dispute. Also, why would a housing provider allow a tenant who is

on public assistance to not pay a portion of their rent? Once again, if you allow this for housing assistance tenants, we'd need to make that a universal policy. Finally, it does not allow for high enough rents to get people housed, which is the real issue at hand.

I have issues with the credit reporting section in section 5. People need to pay their debt obligations. Although I agree that that people should try to find housing that is affordable or around 30% of their income, if they sign a lease agreement that is more expensive, they need to be sure they can meet those obligations. If they don't pay, housing providers should be able to collect the debt. This is done either through small claims court and/or with collections that will report to their credit report. Oftentimes, years later tenants will want to buy a house or car and will settle the debt. Section 5 is making it such there are no repercussions for not paying your debts. Can the same group then steal from a grocery store with impunity since food is not affordable for them as well? If someone buys a new SUV that is unaffordable and they cannot make those payments, should those late payments or repossession be expunged as well? People need to be held accountable for their actions. Also, future housing providers should have an accurate picture of a person's credit and rental history. Why would the legislature have housing providers and tenants enter a contract that is bound to fail because of the lack information?

For example, there are some people who are great with money. They may spend 50% of their income on rent, but they pay their bills on time and they have a 700 credit score. Other people may only spend 30% of their income on rent but have a 500 credit score and have numerous collections perhaps even collections from prior rental housing. Which tenant would you rather rent to? If you pass this law, we would no longer be able to take the first tenant because the credit report would not give an accurate picture of their ability to pay rent and this law would allow them to not pay us with impunity should they desire to stop paying. This provision would force us to further tighten our screening criteria, which would make it harder for many good renters to get housed. You are harming the people who make good financial decisions and helping those who make bad decisions. That is bad law making.

Additionally, we sometimes get a high-quality co-signer that allows some weaker applicants to enter a house that is more than three times their income. Does this law prevent us from collecting on the cosigner if it was not affordable to the tenant, but was affordable to the cosigner? Also, what if an applicant makes three times the rent when they apply, but they lose their job during their tenancy, and it is no longer affordable? Can we no longer collect on that bill since they no longer have a job and the rent is unaffordable?

I'm opposed to increasing the transfer tax to fund these programs. Buying a home is already much too expensive in our state right now. We are already in a high tax burden state. Please don't make home ownership more expensive for the hard-working people of our state.

I'd also add that you are playing with people's retirement funds by making bad laws like this. It's the equivalent of robbing from IRAs, 401k's, 403b's, and the Maine State Retirement programs. Many mom and pop landlords buy a building or two as a means to both save for retirement and invest capital into our state rather than sending it away to Wall Street. We are proud to have invested in and improved our community. Anti-rental housing proposals laws like this really have us second guessing if investing in our state was a wise choice after all.

We need to let the free-market work as it's the most efficient way to allocate resources. All you are doing with all this additional red tape is forcing rental housing providers to tighten up their screening

criteria so people on the edge won't be able to get into our units. These rules will lead to compliance issues for small mom and pop landlords and force them out of the business. These landlords comprise the majority of the rental units in our state. Most of our local housing providers care about our community and offer great housing. In our case, we go by our buildings at least once a week to check on them. We are responsive to our tenant's needs. We provide our tenants great places to live. We are proud of the product that we offer. This law will force small providers to exit the market. Does the legislature really want to turn Maine's rental stock into corporate owned rental housing? Come up with alternative proposals that will increase the unit count in Maine. That is the only true long term solution.

Regards,

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