



**Bill No:** House Bill 477 – Landlord and Tenant – Residential Leases and Holdover Tenancies – Local Just Cause Termination Provisions

**Committee:** Environment and Transportation

**Date:** February 13, 2024

**Position:** Unfavorable

The Apartment and Office Building Association of Metropolitan Washington (AOBA) submits this testimony in opposition to House Bill 477. AOBA represents members that own or manage more than 23 million square feet of commercial office space and 133,000 apartment rental units in Montgomery and Prince George’s counties.

HB 477 allows a county to enact a local law that prohibits a housing provider from deciding not to renew a lease or terminate a holdover tenancy without “just cause.” In practice, just cause laws require housing providers to renew a tenant’s lease in perpetuity unless the provider can prove in court the existence of one of the just causes for non-renewal. While the legislation is presented as a tenant’s rights bill, good residents will suffer if apartment owners cannot let the lease of problem residents’ lapse. AOBA opposes this bill for the following reasons:

- **It will be more difficult to remove nuisance tenants.** This bill requires a housing provider to prove in court one of seven listed just cause reasons for not renewing a lease. Good tenants expect their housing provider to provide them with the quiet enjoyment of their premises, and do not want to be dragged into court to testify against a problematic neighbor. Neighboring tenants will often not testify against the problem tenant for fear of retribution. If the housing provider cannot document and prove the offending behavior, the nuisance tenant will never be removed, and the good tenants will ultimately leave.
- **Non-renewals are infrequent.** Most tenants are good people who abide by the community rules and pay their rent on time. Housing providers have every incentive to keep such tenants in place as long as possible. However, each year about one percent of tenants are the subject of repeated neighbor complaints due to their conduct, threatening behavior, noise, illegal activity, or other lease violations.
- **Litigation costs will increase.** Proving just cause will require considerable documentation and proof that lease violations are occurring. This will compound legal

costs and raise operating expenses for housing providers that are already operating on tight margins.

- **Housing providers have a built-in financial disincentive to pursuing evictions.** Turning over units and evicting tenants is costly. On average, it can cost 2.5 months of rent or more than \$5,000 to turnover a unit. That does not include income lost from the unit being off the market. If a landlord must evict a tenant, those costs can multiply due to additional rent lost during the legal process. For a detailed explanation of the cost of an eviction please see the attached explainer.

**For these reasons AOBA urges an unfavorable report on HB 684.** For further information contact Brian Anleu, Vice President of Government Affairs, at [banleu@aoba-metro.org](mailto:banleu@aoba-metro.org)

# Evictions Are Bad for Business

Evictions are expensive for housing providers to pursue and represent a sunken cost that cannot be recovered. There is no economic incentive for housing providers to file for repossession of an apartment except as a last resort when a lease has been breached, most often for nonpayment of rent, or for jeopardizing the safety or the quality of life of others at the apartment community.

## The Built-In Financial Disincentive to Pursuing Eviction

- **Turnover Costs:** *As a general rule of thumb, the cost of turning over a unit is roughly 2-3 month's rent on top of the rent lost during the legal process.* This is attributable to costs for cleaning, repairs, painting, carpet replacement, marketing, new tenant screening and other similar administrative items.
- **Rent Loss During Legal Process:** As of November 2022, the legal process was running approximately 155-222 days in Montgomery County and about 146-190 days in Prince George's County. ***This equates to around 6 months' lost rental income.***
- **Legal Costs:** Legal costs can vary significantly based on the case, but include filing fees, service of warrants and summonses, and attorneys' costs. The low-end average cost of an eviction filing runs around \$500, but can easily run into the thousands of dollars in a contested case.
- **Time off Market:** Notably, the industry standard 2-3 month's rent cost to turnover a unit assumes the immediate turnover of that unit. A housing provider's losses can continue to accrue each month that a unit sits vacant. ***Currently, it is running about 30-60 days to relet a unit once possession has been gained, resulting in an additional 1-2 months' lost rental income.***

**Totaled, a single eviction costs the housing provider in excess of \$20,000. Add legal costs into the mix and that means that a housing provider is deprived of approximately 85% of their annual income associated with a particular asset when they are forced to pursue an eviction.** (Note: Legal sources cite that *fewer than one in five cases see housing providers collect any portion of the debt owed by the tenant*).

### Example

Standard 2-bedroom unit located in Montgomery County leasing at a market average rate of \$2,181 per month.

$$\begin{array}{ccccccc} \$5,453 & + & \$13,086 & + & \$3,272 & = & \$21,811 \\ \text{Turnover costs} & & \text{Rent loss during} & & \text{Time off market} & & \\ \text{(Monthly rent X 2.5)} & & \text{legal process} & & \text{(Monthly rent X 1.5)} & & \\ & & \text{(Monthly rent X 6)} & & & & \end{array}$$

#### CONTACT

Brian Anleu | 240.381.0494 | [banleu@aoba-metro.org](mailto:banleu@aoba-metro.org)

Ryan Washington | 202.770.7713 | [rwashington@aoba-metro.org](mailto:rwashington@aoba-metro.org)



APARTMENT AND OFFICE  
BUILDING ASSOCIATION  
OF METROPOLITAN  
WASHINGTON