



Bill No: House Bill 693 - Renters' Rights and Stabilization Act of 2024

Committee: Environment and Transportation

Date: February 20, 2024

Position: Favorable with Amendments

The Apartment and Office Building Association of Metropolitan Washington (AOBA). 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.

AOBA understands the desire to keep tenants housed and expand housing options available to tenants by reducing the security deposit that a housing provider can charge. However, raising the eviction filing fee, making the fee unrecoverable, and limiting security deposits to one month's rent is not the way to accomplish these goals.

As AOBA previously shared with this Committee, the cost of evicting tenants and turning over units is already tremendously high. For a detailed breakdown of these costs, please see the attached explainer. Housing providers are partly able to offset these costs by withholding some or all of the security deposit. Common reasons that a housing provider may withhold a security deposit include unpaid rent, damages due breach of lease, and damage that exceeds normal wear and tear to the leased premises. In many cases, these costs will exceed even the current security deposit amount, which raises the cost of housing for all tenants.

Without the additional security of a second month's rent, housing providers will be less willing to rent to riskier tenants. Examples of riskier tenants may include those with spotty or poor rental histories and those with poor or no credit history. A one-month limit for security deposits will make it that much more difficult for these tenants to find housing. Rather than passing this limitation, the Committee should amend the bill to establish a State Security Deposit Assistance Program similar to the one established by the City of Baltimore to help income-eligible tenants.

Regarding the filing fee, AOBA supports a reasonable fee increase that is fully recoverable. Examples of reasonable filing fees include those in Virginia and Delaware, which range from \$46-\$56, as well as those proposed by Chairman Luke Clippinger in House Bill 693 in 2021.

Lastly, AOBA is concerned about the language that requires an administrative judge to stay a warrant of restitution for certain weather conditions or any state of emergency declared under Section 14-107 of the Public Safety Article. Administrative judges already have considerable authority to stay warrants of restitution, and they routinely use this authority. AOBA urges the Committee not to unnecessarily limit the judge's discretion on when to use this authority.

For more information, please contact Brian Anleu, AOBA Vice President of Government Affairs, at 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.

\$5,453	+	\$13,086	+	\$3,272	=	\$21,811
Turnover costs (Monthly rent X 2.5)		Rent loss during legal process (Monthly rent X 6)		Time off market (Monthly rent X 1.5)		

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