



March 1, 2021

Dear Members of the House Committee on Commerce, Finance, & Policy:

On behalf of the Minnesota Self Storage Association (“MNSSA”), I am grateful for the opportunity to offer the following comments on HF1205.

### **Background on the Self Storage Industry**

By way of background, self storage businesses meet the storage needs of approximately 250,000 households and businesses in Minnesota. Approximately 80% of the self storage businesses in Minnesota are owned by small storage operators with only one or two locations.

Self storage operators regularly take a measured approach to addressing tenants that fail to pay their rent. Nationally, storage operators sell at auction only 1-2% of storage spaces annually. In other words, 98-99% of storage tenancies work out as intended with the tenant paying as required or the business and tenant reaching a reasonable resolution to address a tenant’s failure to pay. Anecdotally, storage operators have reported non-payment rates that are less than or equal to pre-pandemic levels.

The self storage business model is based on ease of use for the tenant by providing month-to-month rental agreements. If the tenant no longer needs the space, or is unable or unwilling to pay, the tenant can simply move out at any time before the next month’s rent is due, which is typically on the 1<sup>st</sup> of the month. Moreover, in reality, the tenant can use the space for at least one extra month rent-free because the storage operator cannot deny the tenant access to the space until the tenant is at least 29 days late.

### **Development of the Current Law and Discussion Regarding HF1205**

When a self storage tenant fails to pay, the self storage auction process is governed by the Minnesota Liens on Property in Self-Service Storage Act (the “Act”), which is codified in sections 514.970 through 514.979 of the Minnesota Statutes. Since the Act’s initial passage in 1988, the Legislature has updated the Act twice, in 2014 and 2018.

Those updates were achieved through a consensus-building process between the Legislature, MNSSA, Legal Services Advocacy Project, and other interested constituencies. MNSSA is proud of its history of supporting legislation that has broad bi-partisan backing and buy-in from all stakeholders.

Although well-intentioned in its desire to help tenants, HF1205 would harm self storage businesses by amending the Act in several unprecedented ways, including:

- HF1205 would eliminate the eviction remedy currently available to self storage businesses. The Act primarily addresses the auction remedy available to storage operators when a tenant fails to pay. The auction remedy is not available to address other tenant issues such as tenants harassing employees or living in the storage space in violation of the law. These and other issues not related to payment are addresses through the eviction process. However, HF1205 would eliminate storage businesses' use of the eviction process and leave them at the mercy of troublesome tenants.
- Following the auctioning of a former tenant's property for non-payment, HF1205 would require the storage businesses to hold for ten days any property that is not cleared out of the space by the winning bidder. The primary purposes of a storage auction are recover a portion of the former tenant's unpaid debt and to make the space available to a paying tenant that needs the space. The extra ten-day period for holding the former tenant's property prolongs the time before a new tenant can rent the space, which also financially harms the storage business. This is on top of the financial harm that the business has suffered from the former tenant's failure to pay rent before the auction. Moreover, after the auction, the property in the space belongs to the winning bidder and does not belong to the former tenant or the storage business. Requiring the operator to hold property for a former tenant, with no contract to hold that property, creates uncertain legal rights and obligations for the storage business and the former tenant.
- HF1205 would increase the types and value of property that the tenant can recover from the space without paying rent. Although storage operators do not want to separate tenants from their personal items and medical equipment, the effect of HF1205 is to encourage tenants to rent space with no intention of paying for the time that they need. As noted above, the reality is that self storage businesses are already required to provide space rent-free for at least 29 days after the tenant stops paying. Extending this time further is unfair to self storage businesses and new tenants that need space for storage.

Thank you for your consideration of these comments. MNSSA remains committed to having good faith discussions with the Legislature and other stakeholders regarding HF1205.

Respectfully,

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