



February 9, 2022

Chair Becker-Finn and Members of the Committee:

The Minnesota Multi Housing Association (MHA) is an industry nonprofit representing 1,800 members and over 300,000 rental housing units in the state. I write today to respectfully raise our concerns with HF 835.

These provisions would create an obligation for an owner and operator of rental housing to engage with all levels of government assistance programs.

Government housing assistance programs have significant costs and due diligence requirements and were designed as voluntary programs. This proposal would create an obligation of all landlords to sign contracts with government entities to engage in these programs, follow extensive rules no matter the extent of the program burdens, and further train staff on these program obligations. MHA would recommend helping relieve these burdens in current programs to achieve higher levels of participation from private rental housing providers.

Additionally, sections of the bill would further allow all levels of government to create mandatory assistance programs. We have significant concerns for the broad application which could be implemented in a prospective program. We remain concerned with the language that creates a loophole where local non-government organizations could create a housing subsidy with which landlords would be obligated to comply and their policies unknown.

Evictions in Minnesota are expensive. Operators take eviction actions seriously as they have several effects that are bad for business – they cost significant amounts of money and may create an adversarial relationship with a tenant. Additionally, costs associated with an eviction filing are rarely recovered when a tenant is evicted for nonpayment and must be written off as bad debt. For these reasons, operators are reluctant to file. Instead, operators seek alternative resolutions to evictions, including helping residents find emergency rental assistance, creating a payment plan, or settling with tenants to vacate.

Currently, in many situations, operators wait until their grace period expires, typically on the 6th, and issue a late letter to the residents who have not paid, applying a late fee, and warning of a possible eviction action. This new process would be a significant change as the letter will contain specific writing that highlights an eviction will be filed in 14 days. This will only harden the relationship between resident and operators.

This notice in Minnesota could create an uptick in eviction filings. According to **Eviction Lab, Minnesota's eviction rate is fourth lowest in the United States.** Among large cities, **Minneapolis's rate ranks 201st, St. Paul is 217th and Rochester is 225th.** While concentrated areas of concern remain, Minnesota's eviction rate fell faster and farther than the country over the past decade.

This proposal would allow most records to be expunged immediately after the court reaches a conclusion or the case is settled. After three years, 100% of eviction records would be expunged regardless of the circumstances which gave rise to the eviction action. These eviction records offer insight into whether a building fits the needs of a prospective resident. They are one of many factors considered by most landlords during the application screening process. Failing to properly screen applicants sets them up for failure, hurts other renters, and could be a financial and legal liability for owners and operators.

MHA is further concerned when we take a look at the language in Section 4. Under the proposal, the courts can determine that an eviction action "is no longer a reasonable predictor of future tenant behavior" leaves a lot of room for interpretation. Courts are not operators of rental units and are not equipped to understand what creates a reasonable predictor of future tenant behavior. When looking at expungements in other sections of law there are procedures in place that must be followed to meet the standard of no longer being a reasonable predictor, but this statute provides no such guidance. Similarly, in section 5, a tenant "prevail[ing] on the merits" could include a range of outcomes well short of dismissal in the tenant's favor. For instance, it could include a court ordering a nominal decrease in rent owed but still issuing a writ of recovery to the landlord.

Allowing expungement by agreement of parties to the action without considering whether concealment is in the public interest is an extraordinary step that allows - potentially for financial compensation - two interested parties to control the fate of a public record to the detriment of others. This is a concern as Minnesota's eviction numbers rank among the very lowest in the country. Elimination of this data set could create less public scrutiny of the actions of tenants and landlords alike.

Finally, MHA is deeply concerned about the implementation of the most restrictive Rent Control policy in the country in our own backyard. St. Paul's rent control policy remains deeply concerning with a 3% rent cap that does not include an inflationary adjustment. Any added regulatory costs to housing providers with such restrictive rent caps could jeopardize housing stability.

MHA appreciates the opportunity to provide our concerns today.

Respectfully,

Kyle D. Berndt
Director of Public Policy
Minnesota Multi Housing Association