

Written Testimony--How Institutional Landlords Affect the Housing Market
United States Senate
Committee on Banking, Housing, and Urban Affairs

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February 10, 2022

Good morning Chairman Brown, Ranking Member Toomey, and other members of the Committee. My name is Michael Waller, and I serve as Executive Director of Georgia Appleseed Center for Law and Justice. Georgia Appleseed is a non-partisan, non-profit law center that advances justice and equity for all Georgia's children through law and policy reform, community engagement, and legal representation of children in foster care. We focus our efforts on removing barriers to justice experienced by Black and Brown children, children experiencing poverty, LGBTQ+ children, children with disabilities, and children in foster care. Our three priority areas of work are (1) keeping kids in class and out of the juvenile justice system by dismantling the school to prison pipeline; (2) increasing children's access to needed behavioral and academic supports; and (3) ensuring that low-income families have stable, healthy housing. Georgia Appleseed believes justice requires that every child has access to strong, nurturing schools and a healthy home.

This morning, I will provide information on the impact of institutional landlords on the lives of low-income Georgia families and the housing market. Georgia Appleseed listens closely to the communities we serve and our community partners. I've come to Washington and this hearing today to amplify their voices and bring their stories to you. I will also relate some of the research and findings of Georgia universities and other institutions working to end Georgia's low-income housing crisis.

I will begin by sharing the story of April, who lives in Albany, GA in an apartment complex owned by an out-of-state institutional investor. April's struggles are the direct result of callous and abusive business practices that are common to some institutional landlords and place profit over the well-being of families. In this testimony, I will use the terms institutional landlord and institutional investor somewhat interchangeably—both meaning a corporate owner that is usually out-of-state, often owns multiple properties, is generally in the business of investing money (not managing rental homes), and with little-to-no direct contact with the communities where the properties are located and the families living in those properties.

April's story highlights the harmful business practices of these institutional landlords and the impact on children, families, and communities. **Georgia Appleseed and other community partners have identified a common business model among institutional investors in low-income housing—Institutional investors purchase properties; quickly drive up rents; impose unwarranted fees; refuse to provide upkeep or repairs; abuse eviction systems to coerce tenants; and hide from accountability.** These practices do long-lasting harm to families and communities. Institutional investors concentrate these practices in Black and Brown communities and low-income communities, perpetuating historic and system injustices.

April is a single mom to a teenage daughter and the primary caretaker for her mother, who has multiple sclerosis and needs a wheelchair. April rents their home, like most Albany residents and millions of other Georgians. When April signed her lease, every indication suggested that the handicapped accessible apartment was affordable, safe, and a healthy place to live. She was thrilled. Like many tenants, April's interaction with property owners was through a third-party management firm. An out-of-state company owned the apartments, a common occurrence across Georgia. In recent years, investors, like the LLC who owns April's complex, buy large swaths of property, including single-family rental properties, often in low-income neighborhoods. In a recent study by the Planning + Property Lab at Georgia Tech, researchers found that by summer 2021, large corporate investor purchases in Gwinnett and Dekalb Counties (two of Georgia's most populous) covered 53% of single-family rentals, and 17% of single-family home sales. These purchases were concentrated in non-white areas.¹

Soon after April moved in, serious health and safety problems appeared. Sewage regularly came out of the bathroom drains as well as from the ground outside, pooling in the yard. Bees came out of April's HVAC vents, and mold grew on the walls. Shootings and criminal activity occurred at the complex. One shooting left bullet holes in April's windows.

Neither the property management firm nor owners made the needed repairs after April requested them. April complained to the local housing code enforcement office and local government. But these agencies claimed that they were powerless to force the landlord to address the housing conditions and make the property safe.

April also sought the support of SOWEGA Rising, a local non-profit. SOWEGA Rising and April spoke with around 50 residents, most of whom reported similar problems with their rented homes, including a child whose congenital heart condition was exacerbated by mold infestation and others who suffered from acute respiratory conditions. April's landlords continued to charge her rent and added hundreds of dollars in late fees. Her daughter experienced mental health issues directly related to the housing conditions and moved out of the apartment.

April eventually reached out to local media and began organizing her neighbors to work together. She showed reporters the conditions in her apartment and told them how it impacted her family. In response, April's landlord mailed apartment residents a letter threatening eviction if they persisted in publicizing the complex's treatment of the families living there. The threat worked and residents ceased their campaign for better housing conditions. April continues to reside in her apartment but was recently served a notice that her landlord will not be renewing her lease. As of this testimony, April and her family have thirty days to vacate the property. In spite of the dangerous conditions and mistreatment, April and her family have stayed in the apartment. She

¹ Raymond, Elora, "Large Corporate Investors Purchase Thousands of Atlanta Single-family Homes During the Pandemic." ATLS, Emory Center for Digital Scholarship, 1/28/2022, <https://www.atlantastudies.org/2022/01/28/large-corporate-investors-purchase-thousands-of-atlanta-single-family-homes-during-the-pandemic/>.

feels that she has nowhere else to go. In Albany, there are very few affordable rental homes that can accommodate her mother's wheelchair.

My testimony about April and the information I provide below draws upon Georgia Appleseed's conversations with tenants across Georgia and information from our non-profit organizations that advocate for low-income families. In addition to SOWEGA Rising, Atlanta Legal Aid Society, Georgia Legal Services Program, Atlanta Volunteer Lawyers Foundation, GeorgiaACT, Africa's Children's Fund, and Hearts to Nourish Hope, among others, have shared information and tenant stories with us. April's experience is commonplace in Georgia and likely to become more so as long as institutional investors continue to purchase rental properties and emphasize short-term profit over family and community well-being.

Here is what we have found.

Institutional landlords often seek profit through ever-increasing rents and abusive or predatory fees. In Georgia, large corporate investors are particularly known for instituting aggressive year-on-year rent increases, making housing increasingly unaffordable for families and reducing alternative housing options. A Lending Tree survey found the average monthly cost of a one-bedroom apartment in Georgia went up more than 20% in 2021.²

These investors also seek to make a profit by increasing tenant fees, including up-front fees, recurring fees, and hidden fees. Community partners reported to Georgia Appleseed that tenants must pay one-time activity fees, pest control fees, utility service fees, a renter's insurance fee/penalty, valet trash fees, package locker fees, common area electric fees, amenity fees, property management fees, month-to-month penalties, upfront first and last months' rent, safety deposits equal to one month rent, pet deposits, and application fees, and early termination fees triple the amount of a month's rent.

An Atlanta Legal Aid attorney reported an example of a typical fee-for-profit scheme:

my client's 'rent' is \$1373, according to her lease. But with all the fees (late charges, month-to-month fees, eviction fees, amenities, utilities), she was being charged \$2,157 per month (almost 60% more!) after falling behind during the pandemic.

Other Atlanta Legal Aid attorneys report seeing eviction fees written into the lease that are often four times the cost to file an eviction, and large daily accruing late fees in violation of Georgia law.

Institutional landlords increase their profits and reduce costs by refusing to perform needed repairs, basic maintenance, security, or needed health and safety measures. Investment firms that own rental properties can be almost completely unidentifiable to tenants and community governments. Out-of-state shell companies make it impossible to hold owners accountable for

² Cohen, Raime. "The Cost of Rent is Skyrocketing in Georgia, Putting a Squeeze on Tenants." 12/27/21. www.wmaz.com

repairs (or even the demolition of abandoned properties). Renting families and communities must cover the costs to individual health, wealth, and safety (asthma and other respiratory problems, physical injuries, anxiety, depression, criminal activity, etc.) as well as the negative community economic, educational, and public safety impacts.

Tenants across Georgia report illness and injury from substandard living conditions in homes owned by institutional landlords. For example, Georgia Appleseed spoke with a mobile home tenant about his out-of-state landlord in Carroll County, Georgia. The landlord refused to repair leaks in the home's roof. The leaks caused the floor to rot, and the tenant's child fell through the floor, injuring her leg. Even after the injury, the landlord did not make repairs. Instead, the landlord moved to evict the family (after 7 years of renting) when the child's father was laid off from work as the COVID-19 pandemic closed his workplace. In a mobile home next door, the same landlord refused to fix electrical problems. That tenant had to get his electricity via an extension cord from a neighbor's mobile home. In Columbus, Georgia a malfunctioning air conditioning system caused the death of a man when temperatures in his room hit one hundred degrees. Local community leaders spent years trying unsuccessfully to hold the owners (an out-of-state corporate landlord with properties in several other states) accountable. In Clayton County, a tenant reported to Africa's Children's Fund that she was unable to cook food in her home because the landlord refused to provide an operable stove. These are just a few of the stories that Georgia's tenant advocates hear every day.

Renting families and communities confront numerous barriers to holding institutional landlords accountable for housing conditions. One of the most significant and confounding is that it is often practically impossible to determine who owns the property. Corporate shells and multiple layers of corporate ownership make it difficult for tenants to speak to anyone with authority when there is a problem. Tenant advocates and communities can find no person or entity to hold responsible for violations of leases, laws, or ordinances.

A lack of continuity in ownership and transparency also make it easy for landlords to avoid legal liability. In one case handled by Atlanta Legal Aid Society, advocates spent two years trying to collect a judgment against the landlord. Though the tenant could not collect the judgment amount, the landlord continued to collect rent from hundreds of tenants over the same two-year period. Atlanta Legal Aid lawyers and a pro bono attorney representing multiple tenants challenging illegal and dangerous housing conditions report a related, and equally confounding problem--corporate ownership changes quickly and often.

Institutional landlords are well-positioned to abuse Georgia's eviction and housing safety laws and ordinances. Georgia's housing laws are notoriously landlord friendly. Evictions are inexpensive in Georgia. The filing cost for an eviction is typically around seventy-five dollars. Georgia's over-burdened eviction courts have court procedures and practices that prioritize the efficient disposition of evictions instead of preserving tenancies and homes. In eviction court on any given day, a single landlord attorney may represent many different landlords in hundreds of eviction cases, saving attorney fees. If a tenant successfully files an answer to an eviction action and appears in court at the appointed time (often having to take off work, find childcare, arrange transportation, etc.), courts will generally grant the landlord's attorney a new trial date to present evidence. In most

cases, however, tenants are unable to file correctly an answer to the lawsuit and they lose their case automatically. Tenants are generally on their own to litigate their cases and navigate complex landlord-tenant law. There are relatively few attorneys available for low-income tenants—they are not provided for tenants by communities or courts.

In terms of housing conditions and safety, the state’s housing safety laws provide spotty protection. Indeed, state laws preempt local communities from enacting ordinances and programs that would create registries of rental properties, require inspections, or investigate housing conditions complaints without independent probable cause.³

While all landlords benefit from the pro-landlord orientation of state laws, institutional landlords often abuse the eviction system and safety laws to a greater degree than other landlords. A 2017 study published by the Federal Reserve Bank of Atlanta found that corporate landlords, especially large institutional investors, were far likelier than other owners to evict their tenants.⁴ Other research in Atlanta suggests that such landlords are also more likely to use threats of eviction and serial court filings as a routine business practice.⁵ In the final quarter of 2021, corporate landlords filed 76% of all evictions in a five-county sample.⁶ Landlords (and the property management firms they employ) favor Georgia evictions because the process is so quick. Evictions can happen very quickly, in three weeks when the tenant files an answer and a the court holds a hearing. In an eviction proceeding where the tenant fails to file an Answer within seven days, the process moves at break-neck speed. A default Order is granted, and a Writ of Possession is issued immediately. Tenants and their families have little or no time to find rent assistance or legal advice.

In terms of the enforcement of local housing safety codes, local housing code enforcement offices lack capacity and are chronically understaffed. Even when housing code enforcement officers have capacity to pursue investigations, local custom and state law tend to favor institutional landlords. In many areas, housing code enforcement offices lack the resources to investigate alleged violations if a tenant is behind on rent, or a landlord has filed an eviction. Moreover, Georgia law preempts local communities from registering and inspecting properties and prohibits inspections

³ O.C.G.A. 36-74-30 (2010).

⁴ Raymond, Elora; Duckworth, Richard; Miller, Benjamin; Lucas, Michael; Pokharel, Shiraj. “Corporate Landlords, Institutional Investors, and Displacement: Eviction Rates in Single Family Rentals.” *FRB Atlanta Community and Economic Development Discussion Paper*, 2/22/2018, Paper No. 2016-4.

⁵ Immergluck, Dan; Ernsthausen, Jeff; Earl, Stephanie & Powell, Allison. “Evictions, Large Owners, and Serial Filings: Findings from Atlanta.” *Housing Studies*, 7/14/2019, page 923-924.

⁶ The five Counties studied were Fulton, Gwinnett, DeKalb, Clayton, and Chatham. Chang, Melissa. “Record Acquisitions and High Evictions by Corporate Landlords in 2021 Draw Scrutiny from Congress.” *Private Equity Stakeholder Project*, 1/31/2022. www.pestakeholder.org.

without probable cause.⁷

Profit-mongering at the expense of family and community well-being is not “investment in affordable housing.” Families and communities are left to repair the damage done when these absentee landlords have extracted as much money as possible from the families and communities. The impact goes beyond just making families and communities poorer. Unsafe, unstable housing has long-term and devastating impacts on the physical and mental health of children and families, threaten educational achievement and employment potential, increase criminal justice system involvement, and reduce overall community wealth and well-being.

Federal policy can support needed reforms that would protect families from abuses. I applaud this Committee’s study of the impact of institutional landlords on affordable housing availability, their predatory practices, and the unacceptable housing conditions they are responsible for. While there are many reforms to Georgia law and policy that would benefit renting families, we support federal government fiscal and monetary policy reform that discourages abusive investors. Moreover, local policy makers and advocates could make better policy decisions if they had more information about institutional landlords. Federal government could help by collecting and sharing information about these investors with the public, states, and local government. In addition, local tenants and landlords have faced tremendous financial pressures from economic havoc caused by the COVID-19 pandemic, and continued support of Emergency Rental Assistance Program (ERA) efforts in Georgia will help families stay in their homes and provide local landlords with much needed funds. In particular, we have found that state and local government need additional (and public) guidance on best practices from the Department of Treasury, particularly concerning the types of identification and documents and attestations that governments should and should not collect from ERA applicants.

Chairman Brown, Ranking Member Toomey, and members of the Committee, thank you again for the opportunity to share the experiences of my fellow Georgians with you today. I look forward to answering any questions you might have.

⁷ O.C.G.A. 36-74-30 (2010)(“[n]o local government is authorized to perform investigations or inspections of residential rental property unless there is probable cause... in no event may a local government require the registration of residential rental property. ”)