

# **Rental Housing Research Stakeholder Group Issues from Speakers & Presentations**

**Absentee Landlords**

**Ageing Properties**

**Compliance Systems Inadequate or Lack Resources**

**Health Impacts and Costs of Substandard Properties**

**Improper or Lack of Maintenance and Repairs**

**Insufficient Landlord Knowledge and Education**

**Insufficient Rental Housing Data**

**Insufficient Tenant Education and Empowerment**

**Lack of Neighborhood Empowerment**

**Lack of On-Site Management**

**Landlords Unable to Afford Repairs**

**Landlords' Unwillingness to Evict Tenants**

**Negative Impacts of Eviction**

**Neighborhood Transiency**

**Tenant Behavior**

**Tenants Unable to Afford Adequately Maintained Housing**

# Rental Housing Research Stakeholder Group

## Existing Programs

### **C.O.P.S. Block Watch and Neighborhood Observation Patrol**

Allows neighbors and volunteers to become the eyes and ears of law enforcement in their neighborhoods

### **C.O.P.S. Code Enforcement Reporting**

Assists citizens with reporting code violations

### **C.O.P.S. Crime Free Multi-Housing Program**

Program for landlords of multiple units to help reduce crime in and around their rentals

### **C.O.P.S. Safe Streets**

Provides support and guidance to neighbors of nuisance properties

### **City of Spokane Building and Developer Services**

Enforces city building codes by inspecting and approving new building construction; and offers safety inspections in existing buildings to tenants or homeowners for a fee.

### **City of Spokane Code Enforcement**

Enforces land use complaints; and city health and safety codes and ordinances; in buildings deemed unsafe or uninhabitable

### **City of Spokane Nuisance Property Ordinance**

Section of Spokane Municipal Code outlining civil and criminal remedies available for properties with consistent criminal activity that may result in the building being ordered vacated for a year

### **Gonzaga Center for Law and Justice, University Legal Assistance**

Free legal representation, advice, and counseling to low-income persons 60 years of age and older

### **Landlord Association of the Inland Northwest Landlord Education and Legal Resources**

Legal advice, witness program, forms and books, and landlord classes for association members

### **Northwest Justice Project CLEAR Hotline**

Toll-free hotline that provides legal assistance to low-income individuals

### **Rental Housing Association of Washington Member Resources**

Tenant screening, landlord education, and forms for association members

### **SNAP Weatherization Program**

Provides assistance for improvements or repairs to increase energy efficiency in owner occupied homes or renter occupied homes with the owner's permission. Also checks for home safety hazards including carbon monoxide, lead, & asbestos

**SNAP/Living Green DIY Minor Home Repairs**

Workshop teaching minor home repairs

**SNAP/Living Green Healthy Homes**

Workshop to reduce home allergens

**Solid Ground Tenant Services**

Informational website and phone line that provides tenant counseling and resource referral services

**Spokane County Bar Association Volunteer Lawyers Program**

Free legal assistance to low income residents

**Spokane Fire Department Permit System**

Conducts site inspections to ensure compliance with code and safety requirements as part of the issuance of sprinkler operating permits for commercial and residential buildings 5 units or larger

**Tenants Union Tenants Rights Hotline and Walk-In Clinics**

Free phone and walk-in counseling services from trained non-attorney tenant counselors

**Washington DSHS Additional Requirements for Emergent Needs (AREN)**

Emergency assistance for individuals under TANF, State Family Assistance, or Refugee Cash Assistance. AREN provides emergency rental or relocation assistance, and covers repairs when there is a health risk and it is more expensive to move

**Washington Landlord Association Member Services & Advice Line for Landlord Members and Tenants**

Forms and screening services for association members. Advice line for association members and tenants

**Washington Law Help**

Guide to free civil legal services for low-income persons and seniors

**Washington State 211**

Referrals to rental assistance resource agencies

**Washington State Bar Association Moderate Means Program**

Housing-related legal representation for moderate income families

**Washington State Landlord Tenant Act**

Revised Code of Washington covering legal requirements and responsibilities of landlords and tenants related to the leasing of residential property in the State of Washington

**Washington Web Lawyer Legal Advice**

Free online legal advice to low income residents via messaging system from volunteer attorneys

# Existing Programs

	C.O.P.S. Block Watch and Neighborhood Observation Patrol	C.O.P.S. Code Enforcement Reporting	C.O.P.S. Crime Free Multi-Housing Program	C.O.P.S. Safe Streets	City of Spokane Building and Developer Services	City of Spokane Code Enforcement	City of Spokane Nuisance Property Ordinance
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Issues From Speakers & Presentations

# Existing Programs

	Gonzaga Center for Law and Justice, University Legal Assistance	Landlord Assn of the Inland NW Landlord Education & Legal Resources	Northwest Justice Project CLEAR Hotline	Rental Housing Assn of Washington Member Resources	SNAP Weatherization Program
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Issues From Speakers & Presentations

# Existing Programs

	SNAP/Living Green DIY Minor Home Repairs	SNAP/Living Green Healthy Homes	Solid Ground Tenant Services	Spokane Co. Bar Association Volunteer Lawyers Program	Spokane Fire Department Permit System	Tenants Union Tenants Rights Hotline and Walk-In Clinics
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Issues From Speakers & Presentations

# Existing Programs

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	Washington DSHS Additional Requirements for Emergent Needs (AREN)	Washington Landlord Assn Member Svcs & Advice Line for Landlord Members & Tenants	Washington Law Help	Washington State 211	Washington State Bar Assn Moderate Means Program
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**Issues From Speakers & Presentations**

	A	B
	<b>Issues Identified in Rental Housing Research Stakeholder Group</b>	
1	<b>Presentations</b>	
2	<b>Issue</b>	<b>Presentation Source</b>
3	Negative impacts of poorly maintained rental properties (health, safety, property value, quality of life)	Neighborhoods
4	Absentee landlords	Neighborhoods
5	Inability to contact responsible parties	Neighborhoods
6	No oversight (of landlords)	Neighborhoods
7	Delayed (landlord) response to property issues	Neighborhoods
8	Neighborhood erosion due to lack of (landlord) accountability	Neighborhoods
9	Transiency within neighborhoods	Neighborhoods
10	Lack of legal protection/recourse for neighbors	Neighborhoods
11	Low Incomes	Landlords
12	Need for economic growth, more jobs, job security, higher paying jobs	Landlords
13	More Ageing Properties	Landlords
14	Ageing properties cost more to repair	Landlords
15	Rents must include some costs toward repairs	Landlords
16	Unprofitable properties will be repurposed	Landlords
17	Eventually older houses will be decommissioned as rentals	Landlords
18	What support is available to keep the properties as rentals (tax breaks)	Landlords
19	Less rental properties available	Landlords
20	Increase in housing prices means properties can be sold after recession	Landlords
21	Rental property investment is high risk and low return	Landlords
22	Housing stocks is ageing - increased repair costs	Landlords
23	Increased business risks due to more compliance	Landlords
24	Rents are not keeping up with operating and replacement costs	Landlords
25	Improved economy means landlords are more selective	Landlords
26	Landlords move to more friendly investment environments (S. Valley)	Landlords
27	Increasing cost of repairs of older properties	Landlords
28	Relatively low rents, few property condition complaints	Landlords
29	Very little new housing in City of Spokane	Landlords
30	Fewer rentals as older properties are not profitable and are retired	Landlords
31	Incentives to keep property stocks available	Landlords

	A	B
32	Landlords will be more selective in tenant quality	Landlords
33	Less affordable housing	Landlords
34	Less government owned housing, more reliance on private housing	Landlords
35	More demand for affordable housing from impoverished 19.9%	Landlords
36	More demand for agencies such as Spokane Housing Ventures, Charities	Landlords
37	Vacant properties (foreclosures, inability to repair)	Landlords
38	Damaged buildings (boarded up properties)	Landlords
39	Illegal habitation (squatters)	Landlords
40	Illegal activities (drugs, prostitution)	Landlords
41	Unsafe neighborhoods	Landlords
42	Gangs	Landlords
43	Lack of pride and social cohesion	Landlords
44	Unsocial behavior	Landlords
45	More property damage	Landlords
46	More lawlessness	Landlords
47	Health and safety	Landlords
48	Property prices decrease	Landlords
49	Owners won't invest in housing	Landlords
50	No empirical data about the number, type, and nature of complaints (against landlords)	Landlords
51	Legislation and Code Enforcement systems available but ineffective	Landlords
52	Issues are not reported but the systems are in place	Landlords
53	Landlord training	Landlords
54	Limited availability of mediation	Landlords
55	No empirical data about the number, type, and nature of complaints (against tenants)	Landlords
56	Difficulty to force tenants to comply (privacy, legislation)	Landlords
57	Expensive to enforce compliance or evictions	Landlords
58	Long time to resolve and terminate tenants	Landlords
59	Limited ability to recover damages from tenants	Landlords
60	Few support avenues available to landlords	Landlords
61	Can't manage tenants behavior - health, hygiene	Landlords
62	Tenants can't pay for damage	Landlords
63	Tenants can't afford to move - themselves or possessions	Landlords
64	Existing compliance systems don't work	Landlords
65	Mandatory inspections ineffective, costly, and won't resolve issues	Landlords
66	Tenants rent burdened. Low income tenants have few housing options	Tenants

	A	B
67	Not enough subsidized low income housing	Tenants
68	Eviction and reasonable fear of eviction by tenants	Tenants
69	Lack of data collection on rental housing and tenant assistance	Tenants
70	Substandard housing a health hazard for tenants and neighbors	Tenants
71	Substandard housing costly for all Spokane residents including tenants	Tenants
72	Healthy and stable housing is good for tenants, landlords, and neighborhoods	Tenants
73	Resources to assist tenants are scarce, limited, or nonexistent	Tenants
74	Lack of education for both landlords and tenants	SPD
75	Lack of on site management	SPD
76	No enforcement of rules or code of conduct for tenants	SPD
77	Unwillingness to evict bad tenants	SPD
78	Lack of motivation for tenants to upkeep property when management does not maintain property or a presence	SPD
79	Expense of repeated police response	SPD
80	Physical conditions: heat, cold, light, ventilation	SRHD
81	Chemical conditions: exposure to lead, carbon monoxide, volatile chemicals	SRHD
82	Building and equipment conditions: can lead to accidents and unintentional injury	SRHD
83	Biological conditions: mold, pests, allergens	SRHD
84	Housing characteristic correlation to emotional and behavioral problems in low-income children and youth	SRHD
85	Renters more likely to be affected by poor housing conditions	SRHD
86	Lack of education for both landlords and tenants	SRHD
87	Lack of management	SRHD
88	Insufficient local housing data limits quantitative data	SRHD
89	Building inspection department understaffed	Building Inspection
90	Access to property if owner or tenant denies entry	Building Inspection
91	Lack of management for maintenance issues; many complaints do not fall under Building Department but rather are landlord/tenant issues	Building Inspection
92	Difficult for code enforcement to access properties to confirm violations	Code Enforcement
93	Difficult to find responsible parties for violations	Code Enforcement
94	Access to funding for owner rehabilitation	Code Enforcement

	A	B
95	Length of time for resolution on substandard buildings and solid waste	Code Enforcement
96	Resolution process for substandard and solid waste time intensive for staff	Code Enforcement
97	No system that provides third party inspections other than those based on complaints	SFD
98	No training program that educated property owners, managers, and renters; housing standards, code requirements, landlord/tenant laws, etc	SFD
99	No program that rewards clean records and penalizes repeat and consistent offenders	SFD
100	Low vacancy rates for low income housing	SLIHC
101	Insufficient funding for low income housing	SLIHC
102	Handling NIMBYism	SLIHC
103	Parking requirements	SLIHC
104	Rental cpas established by HUD are generally low, resulting in lack of sufficient revenue to operate the housing community in the black	SLIHC
105	Providing homes for high risk tenants with little or no support services available	SLIHC
106	Eviction process	Tom McGarry and Jose Trejo
107	Habitability - Inspections	Tom McGarry and Jose Trejo
108	Habitability - Tenant remedies	Tom McGarry and Jose Trejo
109	Condemnation and costs of relocation	Tom McGarry and Jose Trejo
110	No funds in city budget to pay for relocation	Tom McGarry and Jose Trejo
111	Good cause evictions	Tom McGarry and Jose Trejo
112	Mental health issues (Reasonable accomodations, companion animals, continuous evictions related to mental health issues)	Tom McGarry and Jose Trejo
113	Late charges, charges for service, and related issues	Tom McGarry and Jose Trejo
114	Nuisance statutes	Tom McGarry and Jose Trejo

## **Rental Housing Research Stakeholder Group**

### **Analysis of Data in Landlord Presentation**

#### **Background**

In the landlord stakeholder presentation presented by Alexander Scott on March 22, 2016, there were two slides presented titled “Facts: Profit myth – Single Family Residence” and “Facts: Profit myth – Apartment.” These slides contained representative data showing the profit/yr and cash on cash return of a single family home and an apartment in Spokane.

Following the presentation, some stakeholders requested an additional explanation of the data presented as well as an independent analysis. At the stakeholder meeting on May 10, 2016, Alexander Scott provided an explanation of the data he presented and provided the sources he used in his calculations.

These sources, as well as a copy of the landlord stakeholder presentation were provided to Robert H. Cooke, Owner and President of R.H. Cooke & Associates, Inc. for an independent analysis. R.H. Cooke & Associates, Inc., is a Real Estate broker company that has been assisting the buying and selling public since 1987.

#### **Analysis**

*(Provided by Robert H. Cooke, R.H. Cooke & Associates, Inc.)*

Analyzing these two slides, there are 3 items I would adjust on both slides. Working with the Single Family Slide:

1. Toward the bottom, you show “Repairs – structural repairs. Replace house in 27 years”. The depreciation allowance of 27.5 years is a Federal Government incentive to encourage investment in Real Estate. It really shouldn’t be taken so literal as “replace house in 27 years” as that means 80% of all housing in Spokane should have been torn down by now. Instead of showing this on the chart as a \$3,556 annual reduction from profit, I would show it in the next column to the right as increased profit of \$996. I calculate  $\$3,556 \text{ depreciation} \times 28\% \text{ tax bracket} = \$996 \text{ tax savings}$ .
2. The Spokane Assn of Realtors report values in May 2016 increased Average 13.6% and Median 14.3% since May 2015. You need a line item for Appreciation on your chart. In this case, Property value of \$120,000 could have an additional return of \$16,320 based on the 13.6% average. However, since 2002, the average price on a home has increased an average of 4.65% to where it is today; this more conservative figure provides additional return of \$5,580.
3. Your “cash on cash” return at the bottom (Loss)/Profit on Property Value% is calculated incorrectly on this chart. You are calculating the return on the Total Property Value of \$120,000 which is incorrect. It should be calculated on the cash invested which is the difference between the \$120,000 purchase price and the loan amount of \$84,000 = \$36,000.

Given the above, 1) an increase of \$996 instead of a loss of \$3,556 and 2) appreciation of \$5,580, your bottom line Profit is not \$1,469. Your bottom line profit is \$8,045 or, divided by the \$36,000 cash invested, your return is 22.35%.

*Q. Is the data in the presentation accurate and is it a realistic representation for properties of a similar type in Spokane?*

A. For the most part, I think the presentation looks very good. I don't know where you are getting your stats but I'm accepting it as gospel.

*Q. What models of calculating rental budgets are commonly used by landlords or property managers?*

A. Existing rental inventory, we go off of the historic operating budget of any given property. If it's a new property being put into service, calculate adjusted gross rent using a 5% vacancy, calculate the expenses which are fairly easy to do as far as get a quote on insurance, check on taxes, call for Utilities (often times just us \$100/unit/month for W/S/G), 10% mgmt., and depending on the age and condition and type of the unit we throw in a figure for maintenance.

*Q. What are your thoughts on the general profitability of rental homes/units in Spokane?*

A. Great profitability. The rental market is continuing to tighten with lower inventory and increased rents. People that were forced to be Landlords because they couldn't get out of their underwater real estate investments from 2007 are now selling their homes which is displacing a lot of tenants. Continuing increases in Minimum wage is only going to drive up prices; we know tangible assets are a hedge against inflation or the weakening dollar. Real Estate is a safe haven.

*Q. What are some reasons why a property owner might rent residential property in situations where the cash return is minimal?*

Calculated correctly, 22.35% is a screaming return to me. Banks paying less than 1% on deposits, that's minimal. The DOW started 2016 at 17,425 and today is 17,865 or 1.38% increase in 5 months; annualized 3.3%, that's minimal. The DOW started in 2015 at 17,823 and ended at 17,425....a loss of 2.23%, that's dismal.