



**Washtenaw Area
Apartment Association**

March 7, 2023

Dear Ann Arbor City Council,

Our review of the RC report reveals either a lack of understanding about the current use of waitlists OR a bias seeking a predetermined outcome. Both are bad and will lead to more chaos in the student housing market. The RC is working in a vacuum of like-minded voices. They have not taken the time to diversify the renter voices that are voting members, nor does it represent a diversity in rental housing types. There are two rental housing providers on the commission that do not understand all rental housing to appropriately advise the rest of the group.

The activities of the RC reveal that their sole interest is in changing the season for only student housing rentals and the procedures used in that narrow submarket of the broader Ann Arbor rental housing market. It fails to consider the negative effects to the overwhelming number of rental properties that are NOT student rentals. Does the RC even know what percentage of rental housing in the City of Ann Arbor is considered "campus" or "student rental"? An example of this is when local non-student renters far away from campus are forced to receive renewal notices far earlier than ever before in order for the provider to be in compliance. These residents are both surprised and annoyed by this pointless necessity in their case. But the RC must advise regulation in this universal way to avoid violating the city charter by attempting to regulate student housing differently than other housing types.

A review of our members who lease campus area housing reveals that renewals represent 35-40% of all leasing for the '23-'24 academic year. Remember, renewals can happen at any time the tenant in possession elects to renew. Further, our review suggests that most campus area providers, through the use of waitlists, have either rented out entirely or are down to around the last 5 -15% of their offerings for the next academic year. The RC's self-serving, graduate student centric orientation cannot overcome the reality that thousands of mostly undergraduate students (and their parents) want to, and did, make housing arrangements for next year throughout the fall and winter - not March! We don't "claim" to receive hundreds of phone calls from November housing shoppers - we do. Many WA3 members have already received inquiries regarding 2024-2025 leasing. Why has no attempt been made to legislate behavior on the demand side of these highly desired transactions?

The passage of 8:531 (Right to Renew) was the principal reason that waitlists became common since 2021 in fall and winter. Our withdrawn lawsuit was ancient history by then and had nothing to do with the prominence of waitlists. Waitlists were made necessary because of the overwhelming number of students that were not able to secure housing when they wanted to right from the very beginning.

May leases are the exception, not the rule, in the student submarket. People that offer May leases derive an advantage from both 8:530 and 8:531. May leases are almost exclusively desired by undergraduate seniors who prefer being done with their obligation upon graduation in May. They benefit from the ordinance in a world where most students prefer a Fall lease start date. The huge downside of May leases is that they are often sublet on the front end. Often the prime tenant and their parents arrive around Labor Day to an uncleaned, unprepared, lived-in house or apartment and the subtenant got the advantage of the professional preparation that the management company did prior to the lease start date.

Housing providers are still allowed to determine their own lease beginning and end dates and do so on a unit by unit basis for legitimate business reasons. Ordinances that set availability based on a number of days before the expiration of the current lease ensure massive confusion for those prospective renters unable to determine "the

date they can finally look and sign for housing". The dates when a provider have the ability to sign a lease varies property to property and manager to manager. Students and their parents have been very frustrated by this unconsidered aspect of 8:530 and 8:531. The RC and city council are both responsible for this complicating factor.

Preferred renewal rental rates have always been a hallmark of fair dealing by honorable housing providers. Through these rates we share some of the benefits of renewal with the renewing resident. We don't incur changeover costs and the renewing resident doesn't have to incur moving expenses. We also get the security of knowing early that a unit is already secure for next year. All of those benefits are represented in the renewal rate and the renewal rate is always less than what a stranger off the street would pay. We're baffled as to why the RC would conclude that a discounted price for a renewing resident was some sort of conspiracy.

Yes, securing the future right to sign a lease for a specific housing unit, should it become available, requires the payment of a significant deposit. Regardless of what it's called, if a waitlisted person or group ultimately signs a lease, ALL waitlist deposits held are converted to refundable security deposit, first month's rent and other fees for which services are rendered (for example cleaning fees). Any portrayal that we make money off of "Fees" is a false narrative. Landlords work very hard to avoid collusion and price fixing. Your suggestion that there be "uniform refund policies" could not exist.

The waitlist agreement is a contract and people who join them do have money at risk of loss if they don't perform. In other words, if a waitlisted property is available and the waitlisted people don't sign a lease as agreed they could lose their money. There is no ambiguity about this in the waitlist documents we have reviewed. There are many instances in business where money is forfeit if a person never shows up for their hotel reservation, doesn't buy their special order car or incurs restocking fees for returned items. In our case a "fall through" means that we've lost months during which we could have dealt with people who would have honored their waitlist agreement. The amount of money required reflects the seriousness of the bargain and we convey this to our customers.

In cases where the tenant in possession chooses to renew, the waitlisted person gets ALL of their money back - full stop. If there is evidence that didn't happen violators should be called to task. There is more evidence of waitlisted people seeking to wiggle out of the bargain before the agreed date and then seeking a refund. Some providers generously allowed this, despite the contract language, if they could still easily secure a new waitlisted person or group.

The RC's concern about the cost of waitlist deposits fails to understand the variety of housing types. A six-bedroom house naturally requires a higher deposit than a studio apartment. And logically a 2-bedroom apartment that can house 4 people likely has a higher rent than a two bedroom that, by code can only house 2 people. Higher rents mean higher deposits. Deposits are based on the rent. Yes, deposits for large houses in the best locations to campus can have waitlist deposits run into five figures. If this is somehow about rents, which we suspect it ultimately is, note that a single bedroom with a meal plan, a bath down the hall, a la carte parking at a commuter lot 2 miles away and 200+ roommates is \$15,719, or \$1,965 per month for 8 months at the U of M. Privately owned housing can compete with those prices all day and we don't kick our paying customers out for the summer!

The suggestion that local housing providers would, or did, impose higher waitlist costs on minority students is offensive, inflammatory and baseless. The report's author's willingness to inject race speculatively into a discussion about waitlists damages their credibility in a vain attempt to damage ours. WA3 members are also members of the Property Management Association of Michigan and the National Apartment Association. We honor, respect and follow all fair housing laws and actively train our members to do so.

The RC operates in an echo chamber specifically because of its formation by the city council. And unsurprisingly, it concedes nothing to the honest, well intentioned, input it receives from local housing providers, most with long standing ties to Ann Arbor and/or the University of Michigan. For many of us who care about Ann Arbor, the RC, as currently formed, is the epitome of disrespect and one sidedness. We therefore are conveying out comments directly to elected officials, instead of with the group that will not hear other opinions. We have been in this business for decades and we improve the City and neighborhoods by ensuring all of our properties meet rental housing codes. This report shows that the RC inflates claims and clearly does so in a biased and untrue manner. They could have had their questions answered if they had just asked the broader rental community.

Sincerely, Board of Directors of the Washtenaw Area Apartment Association