



Legislation Text

File #: 17-0390, **Version:** 1

To Amend the Security Deposit Policy for Public Housing and Affordable Housing Properties

The Ann Arbor Housing Commission charges a security deposit under state landlord/tenant laws as well as under public housing regulations. State statute allows landlords to charge up to 1.5 times the monthly rent as a security deposit. The AAHC properties that are no longer public housing fall under the state statute. Public housing falls under both the state statute as well as HUD regulations for public housing.

HUD regulations state that at the option of the AAHC, the lease may require security deposits. The amount of the security deposit cannot exceed one month's rent or a reasonable fixed amount as determined by the AAHC. The AAHC may allow for gradual accumulation of the security deposit by the family, or the family may be required to pay the security deposit in full prior to occupancy. HUD allows interest earned on security deposits to be refunded to the tenant after vacating the unit, or used for tenant services or activities.

The state of Michigan requires any interest earned on security deposits to be refunded to the tenant when they vacate the unit. The AAHC deposits all security deposits into a non-interest bearing account to avoid tracking such small amounts of interest.

The board adopted the following public housing policy in 2015 at the request of AAHC staff,

Current Public Housing Policy

Residents must pay a security deposit to the PHA at the time of admission unless waived by the Executive Director. The amount of the security deposit will be the greater of the family's total tenant payment at the time of move-in, or \$100 for a 1 bedroom apartment, \$200 for a 2-bedroom apartment, \$300 for a 3-bedroom apartment, \$400 for a 4-bedroom apartment or \$500 for a 5-bedroom apartment, and it must be paid in full prior to occupancy.

The PHA will hold the security deposit for the period the family occupies the unit. The PHA will not use the security deposit for rent or other charges while the resident is living in the unit.

Within 30 days of move-out, the PHA will refund to the resident the amount of the security deposit (including interest earned on the security deposit), less any amount needed to pay the cost of unpaid rent, damages listed on the move-out inspection report that exceed normal wear and tear, and other charges due under the lease.

The PHA will provide the resident with a written list of any charges against the security deposit

within 30 calendar business days of move-out. If the resident disagrees with the amount charged, the PHA will provide a meeting to discuss the charges.

If the resident transfers to another unit, the PHA will transfer the security deposit to the new unit. The tenant will be billed for any maintenance or other charges due for the "old" unit.

However, this policy has been difficult to administer for both staff and tenants. The security deposit cannot be calculated until the applicant has provided 100% of their income documentation in order to calculate the total tenant payment. This is unfair to the tenants who do not know how much their security deposit is going to be until days before they are scheduled to move in. Because the security deposit is based on the greater of a fixed amount or the total tenant payment, the security deposit has to be hand-entered into Yardi, our property management software. If we switch to a fixed security deposit, the amount can be set up in advance in Yardi and automatically charged to the tenant's account so that we are not relying on staff memory to put a security deposit on the ledger.

In addition, the security deposit is so low that it has been costly to the AAHC when households leave an apartment with a lot of damages. The AAHC has had at least 7 tenants since 2015 who have caused over \$2000 in damages that were uncollectible after the tenant moved out.

In 2016, the AAHC had 58 tenants move into AAHC apartments who had to pay a new security deposit. 42 tenants were homeless and their security deposit averaged \$146/tenant and all of the tenants who did not have the funds for the security deposit were able to get their security deposit paid for with Continuum of Care funds or by local non-profits. The 16 tenants who were not homeless paid an average of \$368/tenant.

Staff are proposing that a fixed security deposit be set at \$400 for 1 & 2 bedroom apartments, and \$600 for 3, 4 or 5 bedroom apartments. The lowest monthly rent is \$496/month for a 1-bedroom apartment and the highest rent is \$1700 for a 5-bedroom apartment. This will enable tenants to plan for their security deposit well in advance of moving in. The amount is less than the maximum amount that the AAHC is allowed to charge under Michigan law and much less than what is typical in the local marketplace. In addition, charging a fixed amount will enable the AAHC to set up the security deposit in Yardi to reduce errors.

The vast majority of homeless tenant's security deposits are paid for with Continuum of Care funds and there are sufficient funds to increase the security deposit to \$400 & \$600. The AAHC still has the option of working with tenants who are not able to come up with the security deposit by signing a repayment agreement in order to pay for it over time.

Prepared and Approved by Jennifer Hall, Executive Director

WHEREAS, the Ann Arbor Housing Commission security deposit is the greater of the family's total tenant payment at the time of move-in, or \$100 for a 1 bedroom apartment, \$200 for a 2-bedroom apartment, \$300 for a 3-bedroom apartment, \$400 for a 4-bedroom apartment or \$500 for a 5-

bedroom apartment; and

WHEREAS, this policy is challenging to administer for tenants and staff and the security deposit is too low to cover expensive damages;

RESOLVED, the Ann Arbor Housing Commission Board approves a standard security deposit amount of \$400 for 1 and 2 bedroom apartments and \$600 for 3, 4 and 5 bedroom apartments for both public housing and affordable housing to take effect May 1, 2017.