

Testimony  
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I would like to start by thanking the sub-committee for extending this invitation to testify and by telling you a little bit about myself and the organization that I represent, The Landlord Association of Pennsylvania. My name is Mark Mitman and I've worked in and around my family's rental properties most of my adult life. When my father took ill and required a heart transplant operation, I took over the direct management of his rental investments. Once I became active in the every day operations of dealing with tenants and the landlord-tenant legal system, I quickly came to the realization that our laws in Pennsylvania are rather hostile towards the small businessman known as the landlord.

But the problem for landlords is not only "the system". There are very few resources available to landlords to assist them in the self-management of their small businesses. This is the reason I founded The Landlord Association of Pennsylvania in 1995. The Association's goal is to provide as many free resources to Pennsylvania's landlords as possible. We provide a wide variety of tenant screening services to aid in the selection of better renters, such as eviction searches, credit reports, criminal checks, and so forth. We also offer educational support to Pennsylvania landlords in the form of newsletters, seminars, and free telephone advice. The more a landlord knows about his rights (as well as the tenant's rights), the more effective he will be at running a successful

rental business. Lastly, we provide our members with resources with which they will be able to better manage their rentals - I'm referring to such things as rental agreements, applications, legal notices, etc.

As I said previously, the Association was founded in 1995. Since its conception roughly two years ago, we have grown to over 700 members. Our membership reflects all segments of the rental industry. We have many small, mom and pop landlords with only one or two units. We have the investor landlords who owns dozens properties. We have real estate and management companies as members, and, we have several local housing authorities - the largest of which is the Housing Authority of the City of Pittsburgh with its 10,000 units. The Association has been growing steadily adding dozens of new members each month. The Landlord Association of Pennsylvania is readily becoming a major voice for rental property owners in our state.

The overall legal climate that landlords must cope with in Pennsylvania can best be described as frustrating. If the landlord acts professionally and business-like, he can typically count on winning at the local district justice's office. However, while he may win the battle in court, he will certainly lose the war. The eviction process is still long and costly for the landlord - particularly the average landlord who owns only 3 or 4 units and depends on every dime of every rental payment to cover the bills and maintain the property. Even after the victory in court, the mom and pop landlord is held hostage by the fact that the tenant can freely destroy the property without any substantial

judgment obtained at the magistrate's office. The bottom line is that the overwhelming majority of landlords provide decent and safe housing to tenants and must be held to that standard; however, the reckless tenant who inflicts financial chaos onto an owner of rental property ultimately has no accountability under the present system.

There have been some serious efforts to rectify the inequities of the present landlord-tenant laws. Most notable are three pieces of legislation introduced in 1995. The state legislature finally began to move its wheels to remedy some of the most disturbing areas of Pennsylvania's landlord-tenant law. I'm referring to: Act 33 of 1995 which requires a tenant pay rent to an escrow account during an appeal; Act 36 of 1995 which provides for a more expeditious removal of tenants who have breached the conditions of their lease; and Act 5 of 1996 which provides for the garnishment of wages to recover losses due to the physical damage of a rental unit. These pieces of legislation have been positively received by Pennsylvania landlords as a first small step towards reaching true legal equity between a landlord and a tenant. Large areas of Pennsylvania's Landlord-Tenant law still need dire improvement.

This current session has seen numerous pieces of legislation that require landlords to live up to their end of a rental agreement. The "slumlord bills" as they're known, allow for punishments for landlords who disregard the health and safety of their tenants and who take advantage of the system for their own financial gain. Overall, I would say that this is a proper expectation to have of a landlord. By entering into a rental

provide a safe product. However, I still find it more than a little ironic that landlords can face steep penalties for not playing by the rules while their tenant counterparts are permitted to run reckless through the system without any responsibility for their actions.

In 1996, there were \$61.5 million dollars worth of claims filed by landlords against tenants in Pennsylvania's district magistrate courts. That works out to be around \$173k a day. One has to wonder how better maintained Pennsylvania's rental housing stock would be today if that money would have made it into the property owners' hands. The average judgment entered against a tenant was \$913. Under current Pennsylvania law, there isn't a whole lot a landlord can do with the judgment. It's pretty much accepted, albeit unwillingly, as a business loss. There is little to no hope that any of that money will ever be recovered by the landlord. Some of that \$173k a day is from unpaid rent. Some of that \$173k a day is to recover expenses for undue damages done to the property so that the rental unit can be made marketable again. Many landlords see this lost money as a theft of services and believe that there should be criminal ramifications for using the property without paying the rent. The answer that landlords get time and time again from lawyers, magistrates, and from my office is that it is a civil matter, not a criminal matter. The lease agreement between landlord and tenant is a civil contract. Therefore, even if a tenant consumes the product (that is, lives in the rental unit) and then breaches the lease by not paying the rent, it is not a criminal act and cannot be treated as such.

I believe that the reverse ought to be true as well. If a landlord does not fulfill his obligation to provide a minimally safe and healthy rental unit, he is at fault. If the problem

aggressive if the problem persists. Safety standards must be enforced for the welfare of the occupants, neighbors, and community.

However, by criminalizing the action (or non-action, as it were), you will be changing the rules. Rules which are fundamental to the understanding of civil contracts. What's being proposed by the legislation before you, is the criminalization of the breaking of a contract. The breaking of the contract between a landlord who has agreed to provide safe housing and a tenant who has agreed to pay the rent. By weighting only one side of this civil agreement with criminal implications for non-compliance, the whole balance of what a "contract" is supposed to be is disrupted. When a municipality establishes health and safety codes they are helping to define the terms of the contract. They are helping to determine what "safe" and "habitable living environment" mean. But by allowing the violation of these definitions to become criminal, the state will be adding undue impetus to one party of the contract's position. There must be a balance in the contract between the property owner and the public interest.

So in practical terms, what does this mean? If a tenant who habitually violates the agreement does so without consequences and a landlord who habitually violates the agreement becomes a criminal then there is certainly no balance. I see two obvious consequences of blending criminal consequences into a civil contract, neither of which have the desired effect of reducing the presence of "slumlords" or blighted properties. First, by advocating government intervention to attach penalties for not complying with a

choose which side of a contract it wants to bolster. Once this door has been fully opened, I wonder what other civil agreements will fall prey to criminal enforcement.

The second consequence I foresee is the accelerated flight of mom and pop landlords from the rental industry. There is a large frustration on the part of Pennsylvania landlords with the current legal system. So much that many landlords have decided that they are in a losing battle and flee the business. It's these mom and pop landlords who own most of the rental properties and who typically keep the properties in the best condition. If they abdicate their role because they perceive a system that is continually weighted against them, it's the "slumlords" who will benefit by buying up more and more urban properties. I'm not implying that they will be driven out because they are at risk of becoming a criminal, but rather because the operating environment is so hostile to being a landlord.

There's one last idea that I'd like to quickly unpack. If a "slumlord" violates the local housing codes, pays the fine, and continues to violate the code, then the problem is not that his act isn't criminal, the problem is that the fines aren't severe enough. It's basic economics. Increase the fines to a point where the "slumlord" must act in some manner, don't change the elements of a civil contract. Many of the companion pieces of legislation that accompanied this bill address that issue and will hopefully make it financially unrealistic for a "slumlord" to avoid complying with safety standards. I obviously believe extending a contract breach into the criminal arena is inappropriate, but

I would expect others to at least believe its premature considering the other pieces of proposed legislation.

To summarize my position, I believe that the goal of this legislation is right on track. We need to minimize, if not eliminate, those landlords who prey on our poor urban districts. Our communities should not have to tolerate blighted properties that continue to violate safety standards. However, the means by which this is attempted with this particular legislation is not appropriate. "Slumlords" should be aggressively fined for continual violations. A "slumlord's" largest motivation is monetary, therefore, to be effective, go after his pocketbook with stiff financial penalties for repeated avoidance. Lien the property or condemn the property if it's that unsafe. Don't change the whole dynamics of what it means to have a civil agreement. It will effect more than just the "slumlords" in question.

The state might consider passing landlord-friendly laws which will impact entire neighborhoods. Laws such as forcing tenants to bear financial responsibility for their actions and commitments by permitting wage attachment of a judgment-debtor. Passing tax credits to those who rent to low-income tenants and for investing in and rehabilitating blighted properties. Much more can be gained by our local communities if we encourage those who know how to manage their rental properties correctly. Empowering the mom and pop landlord empowers whole communities to improve themselves.



Thank you for your attention. I have greatly enjoyed this opportunity to present my views to you. If I can ever be of assistance to your office or to your constituents as they pertain to landlord-tenant questions, I would welcome the opportunity.