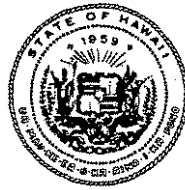


Linda Lingle
GOVERNOR



ORLANDO "DAN" DAVIDSON
EXECUTIVE DIRECTOR

STATE OF HAWAII

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT AND TOURISM
HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION
677 QUEEN STREET, SUITE 300
Honolulu, Hawaii 96813
FAX: (808) 587-0600

IN REPLY REFER TO

Statement of
Orlando "Dan" Davidson
Hawaii Housing Finance and Development Corporation
Before the

**SENATE COMMITTEE ON COMMERCE, CONSUMER PROTECTION AND
AFFORDABLE HOUSING**

February 4, 2008, 9:00 a.m.
Room 229, State Capitol

In consideration of
S.B. 2802
RELATING TO RENTAL SECURITY DEPOSITS.

The HHFDC opposes S.B. 2802. The bill amends chapter 521, HRS, the Landlord Tenant Code, to require landlords to maintain tenant security deposits in a separate account accessible only by mutual agreement of landlord and tenant, to bear the expenses relating to maintaining the separate account, and to return to the tenant the security deposit plus simple interest in the amount of 6 percent calculated annually.

The HHFDC is an owner of several affordable rental projects that are governed by the Landlord-Tenant Code, and would be directly impacted by this bill. The HHFDC has also polled owners of affordable rental housing projects financed by the HHFDC on this bill. Their specific concerns are as follows:

If the security deposit could not be accessed without mutual agreement of the landlord and tenant, then it would be difficult to impossible for landlords to ever use the security deposit for repairs. The result would be negative financial impacts to such rental projects that will also adversely affect all remaining and future tenants.

We further note that the requirement that security deposits be returned to tenants with 6 percent interest is unreasonable. Landlords cannot invest the security deposits in an FDIC insured account that pays 6 percent, and many affordable rental projects would end up in a deficit if required to pay that amount of interest. Secondly, the setting up of individual accounts for each tenant in a multifamily rental complex would be a significant administrative burden.

Thank you for the opportunity to testify.



OAHU CHAPTER

National Association of Residential Property Managers

NARPM – Oahu Chapter
2131 S. Beretania Street, Suite 204
Honolulu, HI 96826

February 1, 2008

The Honorable Russell S. Kokubun, Chair
Senate Committee on Commerce, Consumer Protection, and
Affordable Housing
State Capitol, Room 229
Honolulu, Hawaii 96813

RE: S.B. 2802 Relating to Rental Security Deposits
Hearing Date: February 4, 2008 @ 9:00 a.m., Room 229

Dear Chair Kokubun and members of the Senate Committee on Commerce, Consumer Protection,
and & Affordable Housing,

On behalf of the Oahu Chapter of the National Association of Residential Property Managers (NARPM), who is a group of professional property managers conducting property management on the island of Oahu, we are strongly opposed to S.B. 2802.

Passing a bill such as this will only cause additional expense and accounting problems for to the landlord as well as the renter. It will be a bookkeeping nightmare – trying to maintain each individual account, pro-rating the funds based on actual days that the tenant remains in the unit, calculating the accurate amount of interest to be credited and providing written documentation to the tenant explaining all these calculations.

If landlords are required to pay 6% interest they would be hard pressed to find an investment vehicle which is safe, secure, liquid and earn interest. Business checking accounts don't normally pay any interest and savings accounts may pay 1%, leaving the landlord an additional out of pocket cost. The requirement that the account be mutually accessible means that the funds will need to be held in individual accounts and if there is a dispute between landlord and tenant the funds may be held until an agreement is reached. Again this will add another layer of difficulty and more requirements for the landlord and the tenant. How does this benefit either party?

What about the individual landlords who handles their own properties? Are they going to be able to manage all this additional accounting? Will they be able to afford the difference between the interest they receive and the interest they are required to pay? What type of costs will be

involved if an account has to be closed early when a tenant legitimately ends a lease early – such as a deployed military tenant? Can those charges be charged to the tenant?

Based on these issues, the Oahu Chapter of NARPM would like to respectfully ask that S.B 2802 be deferred indefinitely.

Thank you for the opportunity to testify.



**Hawaii
Association of
REALTORS®**
www.hawaii Realtors.com

The REALTOR® Building
1136 12th Avenue, Suite 220
Honolulu, Hawaii 96816

Phone: (808) 733-7060
Fax: (808) 737-4977
Neighbor Islands: (888) 737-9070
Email: har@hawaii Realtors.com

February 1, 2008

The Honorable Russell S. Kokubun, Chair
Senate Committee on Commerce, Consumer Protection, and
Affordable Housing
State Capitol, Room 229
Honolulu, Hawaii 96813

RE: S.B. 2802 Relating to Rental Security Deposits
Hearing Date: February 4, 2008 @ 9:00 a.m., Room 229

Dear Chair Kokubun and members of the Senate Committee on Commerce, Consumer Protection, and & Affordable Housing,

On behalf of our 10,000 members in Hawaii, the Hawaii Association of REALTORS® (HAR) **opposes** S.B. 2802.

S.B. 2802 creates an overly burdensome accounting problem and a major financial loss for many landlords. If enacted, many mom & pop landlords who manage one or two properties will not understand that they are required to pay interest on top of providing administrative services. In the end, they will become innocent victims of the consequences of this bill.

In the interest of safety and accessibility, security deposits are paramount. A checking account provides limited flexibility but it does not provide any other added benefit, such as payment of interest rate, as mandated in the bill. If a landlord who rents out one room and neglects to create an account that also provides interest or cannot find a bank who will pay 6 percent interest on a nominal amount, it brings up the concern that the landlord would still be fully liable for the 6 percent interest to the tenant.

On page 4, subsection (e) creates a "mutually accessible" account. It will create difficulties for both the landlord and tenant. First, the landlord will be required to create one account per tenant. To access the account, it will require mutual consent by landlord and tenant, which logistically would be challenging as both parties would have to go down to the financial institution to sign the account documents. Likewise, the account will be inaccessible unless both parties agree, which then places the burden on the financial institution to deny access.

With inherent unpredictability in interest rates and the real estate market, mandatory payment of interest will create a sticker shock to both property managers and mom & pop landlords.

HAR respectfully requests the indefinite deferral of S.B. 2802.

Mahalo for the opportunity to testify.

SENATE BILL 2802 RELATING TO RENTAL SECURITY DEPOSITS
Committee on Commerce, Consumer Protection and Affordable Housing
Hearing Scheduled for February 4, 2008 at 9:00 a.m.

TESTIMONY IN OPPOSITION

The Hawaii Island Community Development Corporation is a 501(c)(3) non-profit corporation that has developed five low income housing tax credit senior rental projects on the Big Island. These five projects provide a total of 158 units of rental assisted units for low income seniors. Typically the seniors pay less than \$200 per month out of pocket for rent.

SB 2802 will pose significant operational problems.

First of all we cannot invest the security deposits in an FDIC insured accounts that pay 6% interest. Accounts paying that interest rate are not available, thus requiring that 6% interest be paid essentially means that the projects' operating reserves will have to be used to make up the difference.

Secondly, setting up of individual accounts for each tenant will create a lot of added administrative work and will make payments for repairs/rehab/back rent etc. anywhere from difficult to impossible since the consent of the tenant is required.

These results will have negative financial impacts to the projects which will adversely affect the remaining tenants as well as future tenants.

Thank you for the opportunity to testify on this matter.

From Kevin Carney [mailto:kcarney@eahhousing.org]

Sent: Monday, February 04, 2008 10:04 AM

To: Sen. Russell Kokubun; senige@capitol.hawaii.gov; Sen. Will Espero; Sen. Les Ihara, Jr.; Sen. Norman Sakamoto; sentaniguchi@capitol.gov; Sen. Gordon Trimble

Cc: Kevin Carney

Subject: Testimony SB2802

Dear Senator Kokubun and Members of the Commerce, Consumer Protection, and Affordable Housing Committee:

EAH Housing is strongly opposed to SB 2802 which proposes interest of 6% on tenant security deposits and that tenant security deposit accounts only be accessible by mutual consent of landlord and tenant.

EAH Housing is a non-profit developer, owner and manager of low-income rental apartments for both families and seniors. We currently have over 1,400 apartments under management in the islands and over 5,000 in California. We are 40 years old this year and we are able to exist because of developer fees on new developments and management fees. This bill will increase our administrative costs considerably. An increase in administrative costs will result in an increase in management fees and this in turn will eventually result in an increase in rents to our tenants.

The bill requires intense administrative oversight in that an individual security deposit account would have to be established for each tenant. Currently all security deposits are placed in one separate security deposit account for each property. The language in the bill requiring the mutual consent of landlord and tenant to access the account requires a separate account for each tenant. Hopefully you can understand how much this would increase the workload of our onsite property management staff for each property.

The requirement that the account be FDIC insured and pay 6% interest is not attainable in the current marketplace. The requirement that the Landlord absorb any fees related to the account is unreasonable if tenant is earning all the interest on the account.

Per the Landlord Tenant code, Landlords are able to deduct from the security deposit account payments for back rent, late charges, and repairs for damages caused by the tenant beyond normal wear and tear. How is this going to be possible if access to the account requires the mutual consent of the Landlord and the Tenant?

As a non-profit owner of low-income rental properties, the interest we earn on tenant security deposits goes back into the operating account of the property to help keep our operating costs under control. Our operating costs may include Computer Learning Centers with free computer instruction, social service programs such as health screening, English as a Second Language classes and Civic Classes to enable tenants to obtain their US Citizenship. The interest helps us to keep our rents low and affordable while at the same time providing these types of services. If a tenant or resident association exists at a property the interest on security deposit accounts also may be used to help fund their existence and their projects.

In summary this bill will result in a negative financial impact to most of our properties which will mean higher

2/4/2008

rents and less services to our tenants.

Sincerely yours,
Kevin

Kevin R. Carney, (B)

Vice President, Hawaii

EAH Housing

841 Bishop Street, Suite 2208

Honolulu, Hawaii 96813

Phone: 808-523-8826

Fax: 808-523-8827

Email: kcarney@eahhousing.org

Website: www.eahhousing.org