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Testimony of the Department of Commerce and Consumer Affairs

**Before the
Senate Committee on Consumer Protection and Health
Thursday, February 20, 2020
9:00 a.m.
State Capitol, Conference Room 229**

**On the following measure:
S.B. 2752, RELATING TO LANDLORD-TENANT ACT**

Chair Baker and Members of the Committee:

My name is Stephen Levins, and I am the Executive Director of the Department of Commerce and Consumer Affairs' (Department) Office of Consumer Protection (OCP). The Department supports this bill.

The purposes of this bill are to: (1) allow a landlord or landlord's agent to charge an application screening fee as part of the applicant screening process for renting residential property; (2) limit the amount that may be charged for an application screening fee; and (3) require the landlord or landlord's agent to return any unauthorized fee amounts to the applicant.

S.B. 2752 is desirable because current law does not specifically regulate the nature and amount of application fees that landlords may charge prospective tenants. Over the years, the OCP has received allegations from prospective tenants claiming that the cost of their application fees does not correlate with the costs of background and credit checks. The most troubling reports involve claims from prospective tenants

who have been asked to pay \$50 to \$100 for an application screening fee that in actuality costs \$10 to \$25.

The Department appreciates the narrow definition of “applicant” in this measure because it will help reduce the abusive practice of charging families multiple application screening fees unnecessarily. If, for example, a family of four adults that includes two college-aged children who do not contribute to the rent applies for a rental unit, that family could potentially be charged a \$100 application screening fee, even if the credit worthiness of the two college students is not considered in the family’s ability to pay the rent. In Hawaii’s tight housing market, this family may have to submit multiple applications and pay hundreds of dollars in application fees before signing a rental agreement.

Excessive application fees are particularly egregious in circumstances when a landlord or his agent receives scores of applications for one apartment, most of which are not even seriously considered. Instead of engaging in a valid tenant screening process, the landlord or agent is abusing his or her bargaining position to create a supplemental source of income. This bill will deter that conduct by directly addressing this inequity. Subsection (e) on page 2, lines 6 to 10 requires an applicant to be given a copy of his or her credit report, as well as a receipt to confirm that the application screening fee paid to the landlord or the landlord’s agent was used for the purposes it was intended.

Thank you for the opportunity to testify on this bill.



CGPTA
Chinatown Gateway Plaza Tenant Association
Since 2006

To: Committee on Commerce, Consumer Protection, and Health (CPH)

From: Chinatown Gateway Plaza Tenant Association (CGPTA)

Date: Thursday, February 20, 2020, 9:00 AM

Place: Conference Room 229, State Capitol, 415 South Beretania Street

Re: Opposition to SB2752, Relating to the Residential Landlord-Tenant Act.

Aloha e Chair Baker, Vice Chair Chang, and Members of the Committee on CPH,

My name is Steve Lohse, I'm a constituent of Sen. Karl Rhoads and a resident of Chinatown Gateway Plaza (CGP), a 200-unit, city-owned, affordable housing project in Chinatown. I'm also a cofounder of the CGP Tenant Association (CGPTA), organized by CGP residents in 2006 to represent our resident voice in matters of concern to our affordable housing and Chinatown communities. On behalf of the CGPTA, thank you for this opportunity to submit the following written **Opposition to SB2752**:

(1) Normal costs of business should be covered by normal rents and not charged to residents in addition to rent or to applicants who don't have a rental contract. Some fees are reasonable, e.g., moderate late fees, but we need to be careful about charging fees (a) in addition to normal rent, (b) to applicants who aren't residents and may never be, or especially (c) to applicants for affordable housing.

(2) SB2752 doesn't really limit application screening fees that housing applicants would have to pay. This bill might limit the amount that one landlord can charge one applicant, but in reality, applicants typically apply to multiple landlords and would be charged multiple application screening fees without limit under this bill. Again, this is especially unfair to people seeking affordable housing.

(3) Finally, \$25 might be nothing to condo applicants, but \$25 can be bus fare or groceries for a week for lower-income workers, students, or fixed-income kupuna. In effect, even a single \$25 application screening fee would weigh like a regressive tax on lower-income housing applicants, representing an unnecessary step backward in our efforts to address Hawaii's affordable housing crisis.

In summary, **please defer SB2752**. Normal rents need to cover the normal costs of owning/managing rental housing. Respect for this principle would help curb fees that should not be charged to Hawaii's renter community above and beyond the rents that landlords continually seek to maximize already. Thank you for your consideration.

Aloha no,

Steve Lohse, Chair

Chinatown Gateway Plaza Tenant Association (CGPTA)

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LATE

Eric W. Gill, Financial Secretary-Treasurer

Gemma G. Weinstein, President

Godfrey Maeshiro, Senior Vice President

February 19, 2020

Committee on Commerce, Consumer Protection and Health
Testimony in opposition to SB2752

Chair Baker, Vice Chair Chang and members of the Committee,

UNITE HERE Local 5 represents over 11,500 people working in the hotel, food service and health care industries throughout Hawaii. Our members work hard for a living; we have been fighting to make one job enough for people to get by in Hawaii. One of the biggest costs Hawaii families face is housing. We are stuck in the midst of a housing affordability crisis that is not being effectively addressed quickly enough. The problem has become so bad that our state is losing population to more affordable locations. We struggle to meet our state's needs for teachers. The last thing we need is to put housing that much further out of reach.

We have no reason to believe that landlords who earn passive income by owning property are struggling to cover the costs of digging up negative information about prospective tenants. Landlords' choices of whether to conduct background checks and what those checks should include is entirely within their discretion.

We oppose this bill in its entirety. However, we could potentially support an amendment that would allow renters the opportunity to charge prospective landlords a \$25 fee to cover the cost of background checks tenants may wish to make on them.

Thank you for your consideration.

Benjamin Sadoski
Research Director
UNITE HERE Local 5