

October 31, 2022

Michigan Supreme Court
Lansing, MI

Re: Administrative Order No. 2020-17 and Rule 4.201 of the Michigan Court Rules

To Whom It May Concern:

I am a Detroit-based small business owner of Inkwell Partners LLC, focused on rehabilitating & subsequently operating multi-family apartment buildings in Detroit. Our typical building consists of 20-30 units, was built in the early 1900s, has been rehabbed to modern standards, and rents at a rate that is considered “naturally occurring affordable housing” (rents that are affordable to people making ~50-80% of Area Median Income (AMI)).

Like many other apartment owners in Detroit and across the state, our company witnessed firsthand the struggles of many of our tenants during the heart of the pandemic, particularly those that were employed in service industries and lost their jobs during the initial mandated shutdown. We worked with tenants who experienced hardships, including (a) waiving early termination fees for tenants who needed to break their leases and relocate early in the pandemic and (b) actively encouraging tenants to apply for available aid programs like CERA & participating in their application processes.

As we move past the toughest part of the pandemic and return to a more normal period, we support the changes called for in the proposed text to **Administrative Order No. 2020-17** regarding online meetings. We’ve seen how the move to remote technology has increased participation, both from landlords and from tenants, and made the process of attending a hearing more time efficient for all involved. This is a win for society and should be continued moving forward.

Regarding the changes articulated in **Rule 4.201**, however, **we are strongly opposed**. Though many of the concepts in here are well-intentioned and provided societal stability during the darkest days of COVID-19 when there was mass unemployment in the market, their extension at this point rewards bad behavior and would have disastrous consequences, particularly for small businesses like Inkwell that don’t have large amounts of excess capital.

From our anecdotal evidence, at this point in the pandemic, these rules cater primarily to tenants seeking to game the system and drag out their free rent period for as long as possible. Meanwhile, landlords are facing rising costs across the board and, now more than ever, require landlord-tenant laws to be effectuated in an efficient manner in order to survive. Property taxes are higher, insurance costs are higher, utility costs are higher, trash collection costs are higher, and costs of materials & labor for everything else have skyrocketed – none of these costs are optional or subject to equivalent relief as is being offered to tenants.

As a small landlord, even 2 or 3 problem tenants can cause large issues for the health of our business. Lately, it can take 6-12 months for eviction cases to be resolved that used to take a couple months – in the meantime, outstanding balances can grow to more than \$10,000 per tenant, which is simply not something a company like ours can afford to float, *even when* it was ultimately reimbursed by CERA. Now that the CERA program has ended, when a tenant is ultimately not able to pay and walks away from their unit or is evicted, landlords would be asked to eat these losses directly out of pocket.

In one recent instance at a 10-unit building, a tenant received \$11,281 in CERA funding after falling behind on rent by 8 months. After the CERA funds cleared, the tenant has gone back to not paying and now owes over \$3,000 again – except this time, there are no CERA funds to apply for. We are still waiting on our first court date for the next round of court hearings and will likely have to absorb a loss of \$5,000-10,000 by the time the tenant leaves the building. On top of this, the tenant has caused substantial damage to the unit and has caused a disturbance to neighboring residents. Landlords must have the ability to resolve situations like this in a swift manner – this is not the case under the current COVID era rules.

Making these rules permanent will have a chilling effect on the market, minimizing small landlords' ability to maintain their properties or stay afloat altogether. Furthermore, they provide a major disincentive to purchase and renovate buildings in the first place, particularly for firms like ours that are focused on providing safe & modern housing in lower income neighborhoods and have rents that are on the “affordable” end of the spectrum. Lastly, from a fairness standpoint, these rules are **not fair** to the majority of tenants who *do* pay their rent on time and play by the rules.

It is fundamental to a functioning society to have rule of law and adequate enforcement of those rules. Though there was a clear need to bend these rules at the start of the pandemic to avoid mass displacement, those days have passed, and the lax enforcement of the rules is now causing more harm than good. I hereby urge you to reinstate the pre-COVID rules for landlord-tenant law and allow the housing market to properly function again.

Sincerely,

A handwritten signature in black ink that reads "Ryan Zampardo". The signature is written in a cursive, flowing style.

Ryan Zampardo
Principal, Inkwell Partners LLC
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