

Legislative Analysis



PROPERTY REPAIRS: ALLOW LANDLORDS OR TENANTS TO COLLECT FOR OWN LABOR

Mitchell Bean, Director
Phone: (517) 373-8080
<http://www.house.mi.gov/hfa>

House Bill 4171 (Substitute H-3)

Sponsor: Rep. John Pastor

Committee: Judiciary

First Analysis (2-7-06)

BRIEF SUMMARY: The bill would allow a landlord or a tenant to be awarded damages for repairing licensed premises, including damages for labor expended by the landlord or tenant in doing the repair.

FISCAL IMPACT: The bill would have no fiscal impact on the state or local government.

THE APPARENT PROBLEM:

In a summary proceeding, which is often used by landlords when evicting tenants from leased premises, a court can award damages to a landlord or a tenant for a money judgment for damages attributable to wrongful entry, detainer, or possession; for a breach of the lease or rental contract; or for waste or malicious destruction to the premises. It is standard practice for the court to award damages based on the actual cost to repair the damage. Some landlords and property managers choose to perform the repairs themselves instead of hiring a contractor. However, whereas damages are awarded to cover the cost of materials as well as the contractor's labor, a landlord or property manager, or a tenant, doing self-repairs can only collect on the cost of the materials. Landlords have requested that the law be changed so that those who supply the labor can also receive reimbursement for that labor.

THE CONTENT OF THE BILL:

The bill would amend the Revised Judicature Act to require a court, in certain circumstances, to award damages for the cost of labor to a landlord who performed repair work on damaged premises. Under the bill, if a court awarded damages for physical injury to the premises by making an award for or based on the cost of repairs, the court would have to award damages for labor expended by a landlord in repairing the premises in the same manner as if the repairs had been performed by a third party. A landlord's labor would be compensated at a rate that the court determined to be reasonable based on standard industry wages.

Similarly, the bill would require a court to award damages for labor expended by the tenant in repairing the premises in the same manner as it would if the repairs had been performed by a third party. This would apply when a court determined that the landlord breached the lease or contract by failing to repair the premises and awarded damages by making an award for or based on the cost of repairs. A tenant's labor would have to be

compensated at a rate the court determined to be reasonable based on standard industry wages.

The bill would take effect June 1, 2006.

MCL 600.5739

ARGUMENTS:

For:

Many landlords and property managers choose to repair the damage to their rental properties themselves rather than hire a third party, such as a contractor. In the case of evictions, landlords are able to recoup what they spend on materials for repairs, but currently cannot be compensated for the time they spend making repairs. The bill would remedy this unfair situation by allowing a court to award compensation to a landlord for time spent making repairs. The bill would require a court to base the compensation on standard industry labor rates and would limit the time that could be compensated to the amount of time that it would take an experienced worker to complete the repairs. This restriction will prevent property owners from performing a repair slowly or claiming it took them twice as long as it did so as to collect more money. Similarly, a tenant who made repairs to the rental premises because the landlord failed to do so in breach of the rental agreement could also collect for his or her labor in making the repairs.

Against:

The bill is problematic for a number of reasons, including the following:

- The bill does not establish a quality standard for the repairs. Where it would require damages to be awarded based on the industry standard for wages and time taken by professionals to do the repair work, it would appear to award the same damages for labor done well by a professional or for shoddy work done by a landlord or tenant.
- The bill represents a major departure from the traditional measure of damage awards, which is the actual costs of making the repairs. Therefore, the bill could have implications for the body of law pertaining to cost recovery.
- Summary proceedings are a form of civil action that moves through the court quickly. A court would simply not have the time to research the industry standard for wages for plumbers, roofers, general contractors, etc. and figure out the time each type of repair (i.e., hole in the wall, painting different sized rooms, replacing damaged plumbing fixtures) would take. Unless a book was produced for use by the judges that listed in detail all the various types of repairs and industry wages based on geographic regions, there would be no uniformity in awards from judge to judge or court to court. If courts had to rely on information presented by the party seeking the award, the bill could create an

opportunity for fraud by parties seeking to make a profit on the labor portion of the repair work.

- Tenants would still be disadvantaged under the bill. Many renters are low-income persons who lack transportation or the ability to get time off from work in order to attend the court proceeding. Therefore, they would be unable to identify or challenge a landlord's inflated request for money damages. Uncontested, the court would be more likely to grant a landlord's request for damages at the amount requested.

POSITIONS:

A representative for the Rental Property Owners Association of Michigan testified in support of the bill. (2-1-06)

A representative of the Michigan Advocacy Project, Center for Civil Justice, testified in opposition to the bill. (2-1-06)

Legislative Analyst: Susan Stutzky
Fiscal Analyst: Marilyn Peterson

■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.