



Housing Authorities need exemption from HB 3974

Public Housing Authorities (PHAs) should be exempt from the proposed \$20 cap on rental application fees because they are already subject to state and federal oversight and are operating under severe financial constraints. Unlike private landlords, PHAs cannot absorb additional costs without reducing services or housing opportunities for low-income residents.

PHAs Are Already Federally Regulated

- PHAs must comply with strict federal rules, including HUD and IRS guidance.
- The IRS 8823 Guide limits application fees in LIHTC units to the actual cost of screening, such as background and credit checks.
- A state-imposed cap could conflict with federal rules and create regulatory confusion.

PHAs Cannot Offset Costs Like Private Landlords

- PHAs cannot raise rents to recoup actual application screening costs
- Other common private-sector fees (amenity fees, parking, etc.) are unavailable to PHAs.
- A flat \$20 limit on application fees would force PHAs to absorb losses.

Actual Screening Costs Often Exceed \$20

- Comprehensive applicant screenings—including credit, criminal, and eviction history checks—average \$45 per applicant.
- It often takes screening numerous applicants before an affordable housing unit is occupied resulting in even larger costs to mission driven landlords.

PHAs Are Severely Underfunded

- Many PHAs are already struggling with inadequate funding to cover staffing, maintenance, insurance and basic operational needs.
- Additional revenue loss, even from modest fees, may result in fewer households served, a reduction in resident services and longer waitlists.

Exemption Supports Policy Goals Without Undermining Them

- The \$20 fee cap aims to protect tenants from predatory fees in the private rental market.
- PHAs are mission-driven public entities already held to state and federal standards.
- Exempting PHAs maintains the cap's intent and prevents harm to low-income families.

Conclusion: A state-level exemption for PHAs ensures they can maintain federally compliant, cost-recoverable application practices without further straining their limited resources. This approach safeguards housing stability while respecting the integrity and oversight of public housing programs.