



City of San Marcos

City Council Work Session

September 19, 2023




Presentation

Receive an update from Shannon Fitzpatrick regarding student housing lease practices and provide direction to the City Manager.



Purpose

- Neighborhood Commission approved resolution 2024-02RR-NH (Rent by the bed) on February 21, 2024.
- City Council discussed the item at the May 7th, 2024 and staff was directed to provide additional information at a work session.
- Texas State University legal staff has experience with this subject matter.
- City Council requested additional information on the subject.



Rent-By-the-Bed
vs.
Conventional Leases
Issues, Concerns & Solutions

Shannon FitzPatrick



Best Practices in Rental Housing

Even Out the Playing Field Between Landlord & Tenant

Identify and Understand the Two Business Models

**Improve Landscape of Rent-By-the-Bed in Large
Construction**

Many Names...

Two Business Models

Conventional/ Joint Lease

- Traditional/
Conventional/ Standard
- Traditional/
Conventional/ Standard
- Shared Lease

Rent-By-the-Bed/ Individual

- Purpose Built Student
Housing
- Rent-By-The-Room
- Single Lease

Many Names...

Two Business Models

Conventional/ Joint Lease

Joint Lease

All Tenants sign the SAME lease and are JOINTLY liable for rent, fines, fees, damages, utilities, and behavior

Per UNIT Pricing

Rent-By-the-Bed/ Individual

Individual Housing Contract

Each Tenant signs a SEPARATE lease but are still JOINTLY liable for common area, fines, fees, damages, utilities, and behavior but not rent

Per PERSON Pricing

Many Names...

Two Business Models

Conventional/ Joint Lease

Landlord must provide the exact chosen unit; tenant is guaranteed to live with chosen roommates

Tenant pays RENT in exchange for living exactly where they choose

Rent-By-the-Bed/ Individual

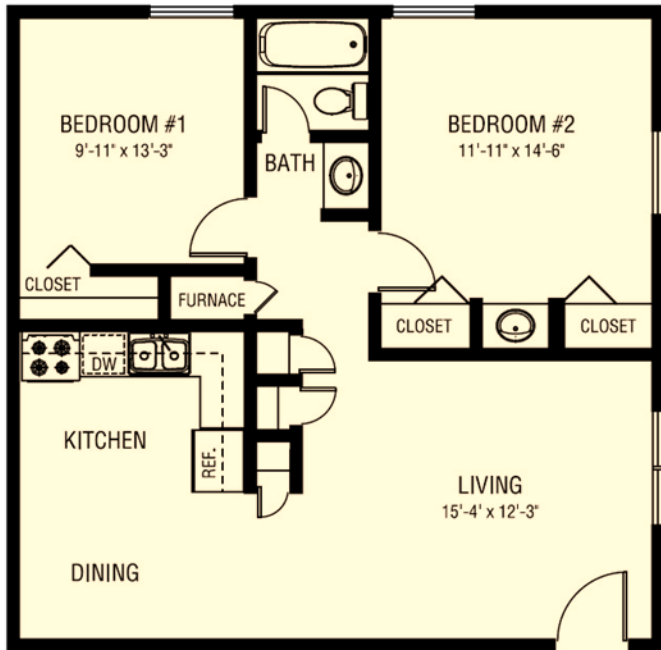
Landlord has 100% control, chooses roommates & unit

Tenant pays “installments” in exchange for living somewhere on the property that Landlord chooses

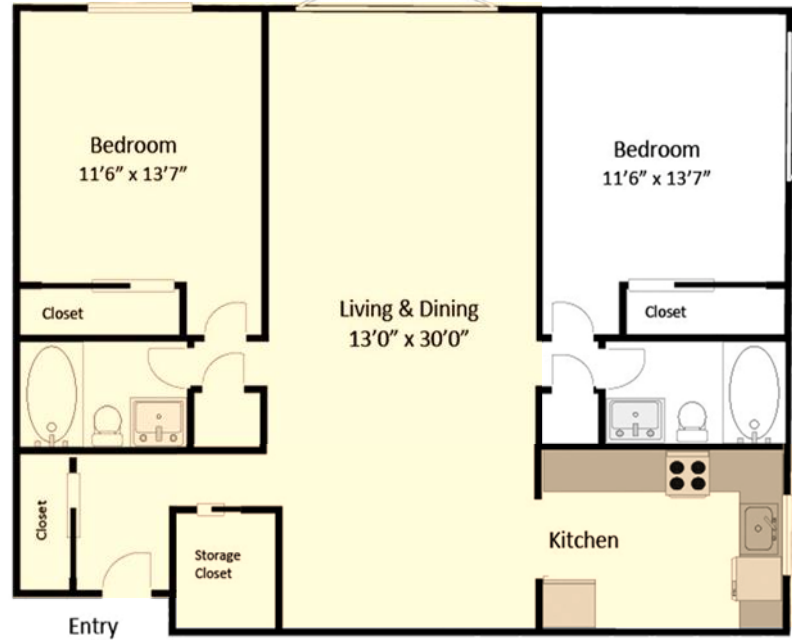
Rent-By-the-Bed Hallmarks

Hallmarks to **IDENTIFY** the RBB structure:

- Marketed as “student housing” and “student luxury living”
- Installment contract geared toward students
- Rooms individually rented by each Tenant
- Random roommate matching



Joint Lease



Individual Lease

Problems

- Applicant signs & is bound, *then* screened. If not qualified, still bound.
- “As Is” Clause - Apartment not clean or in working condition, free of health and safety issues upon move-in or transfer
- No security deposit means lack of protections under the Texas Property Code
- No disclosure of owner or management company as required by TPC

Roommate Matching

Apartment chooses roommates Landlord moves tenant at LL discretion

Pay to live somewhere on property

Tenants split up from chosen roommates

Can't move out for roommate issues

Tenants can't choose unit

Lease does not terminate even if
Tenant dies

Tenants can't choose new roommates

Tenants must take unit "AS IS"

Tenant can only transfer if there's space, if
LL allows it, if they pay a fee

Leasing Differences

Conventional/ Joint Lease

1. Tenants rent an entire property together **\$1,200/ month**

2. Two Roommates split the rent for **\$600/ month**

3. Multiple tenants still pay **\$1,200/ month**

4. Rent is pro-rated:
Aug. 21-Aug 31 = \$388
Tenant saves \$813

Rent-By-the-Bed/ Individual

1. Each person rents an individual bedroom **\$11,400/ year**

2. The monthly installment per bedroom is **\$1,000/ month**

3. In a 4-bedroom unit, total rent **\$4,000/ month**

4. Rent is NOT pro-rated:
Aug. 21-Aug 31, T pays full installment \$1,000, NOT \$366 = T **OVERPAYS** by **\$633**

Conventional/ Joint Lease

1. Fill out application
2. Guarantor & credit check
3. Review lease & pay fees
4. Pay security deposit
5. Negotiate lease terms
6. Sign the lease
7. Tenant is **BOUND**

Rent-By-the-Bed/ Individual

1. Sign application & lease \$11,400
2. Tenant is immediately **BOUND**
3. Guarantor doesn't qualify?
Contract is breached. Pays FULL installments but **CAN'T** move in...
4. Unpaid fines?
Contract is breached. Pays FULL installments but **CAN'T** move in...
5. Pay 85% of 1 installment, find reletter
6. Look for housing & pay installments

Solutions

- **Require at least a minimal security deposit**
- **Require to disclose and post owner & management contact information at all times**
- **Do not allow applicants to be bound by the lease until they and guarantors qualify**
- **Eliminate “AS IS” clause so that if apartment is not in clean and working condition free of health and safety issues (eg HVAC, mold, vermin infestations) upon move-in or transfer, LL must pro-rate rent, pre-pay for alternate housing, or allow Tenant out of the lease, at Tenant’s choice**

Solutions

- **Dedicate more funds to Code Compliance (Neighborhood Vitality) to investigate & fine non-compliant apartments**
- **Hire a dedicated Code Enforcement officer for health & safety issues who will identify and investigate health and safety issues such as mold complaints**
- **Implement Enforcement Mechanism**
- **Create mechanism for tenants to lodge complaints**



Next steps

- **Direction needed.**
 1. Do we move forward? If the direction is to proceed,
 - a. Do you want another work session?
 - b. Do you want it to come back in ordinance form?
 2. Do we leave as is?