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**TO:** Detroit City Council

**FROM:** David Whitaker, Director   
Legislative Policy Division

**DATE:** June 28, 2023

**RE: Report on the Impact of a Just Cause Ordinance on Mom-and-Pop Landlords/ Small Property Management Companies**

The Legislative Policy Division (LPD) has been requested by Council Member Coleman A. Young, II to provide a report on the impact the proposed “Just Cause” ordinance would have on Mom-and-Pop Landlords/Small Property Management Companies.

The purpose of the proposed “Just Cause” ordinance is to provide the parameters under which a landlord of a residential rental unit in the city of Detroit can evict a tenant that is legally residing in the premises. The proposed “Just Cause” ordinance will impact all owner/landlords that are renting residential units. The difference the impact of the “Just Cause” ordinance upon owner/landlords largely depends upon the resources they have at their disposal.<sup>1</sup> A mom-and-pop/small management company may have limited resources and therefore the “Just Cause” ordinance may have a greater impact.

The proposed “Just Cause” ordinance spells out reasons a landlord would have the authority to evict a tenant which falls under the following circumstances:

- (1) The tenant has failed to pay rent that is lawfully due owner/landlord pursuant to the terms of the rental agreement;

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<sup>1</sup> LPD notes that the degree of resources available would vary among owner/landlords including mom-and-pop/small companies. Some mom-and-pop/small companies with only one or two units may only have the rents collected for resources at their disposal.

- (2) The tenant has breached the rules agreed upon by the parties pursuant to the rental agreement including but not limited to:
  - (i) The tenant's failure to cure a violation of the rental agreement;
  - (ii) The tenant using the rental unit for an illegal purpose;
  - (iii) The tenant has, after written notice to cease, refused the owner/landlord access to the unit as required by law.
  
- (3) The tenant has caused damage to the rental premises beyond that which would be determined as normal wear and tear allowed under the rental agreement and meets one of the following:
  - (i) The damage creates a condition upon which the premises are deemed unsuitable for habitation;
  - (ii) Tenant has created a nuisance or substantial damage to the premises (waste), or creating a substantial interference with the comfort, safety, or enjoyment of the owner/landlord or other tenants in the building or premises.
  - (iii) The premises have been damaged caused by the tenant's willful neglect or wanton disregard for the rental property as determined by a reasonable person standard.
  
- (4) Tenant's unapproved subtenant (approval can be either stated or implied) is the only person still remaining in the premises (subtenant holding over).

LPD notes the essence of the above referenced provisions are currently embodied in state law under the Revised Judicature Act, being MCL 600.5714, which provides under Subsection (1) when a person is entitled to possession of premises, they may recover possession by summary proceedings in a court of law as outlined therein. The above reference provisions of the proposed "Just Cause" ordinance does not appear to add any additional burden upon a mom-and-pop landlord/small property management company, because they reflect the current justifications in which a landlord is entitled to recover possession of premises.

However, there are other provision of the proposed "Just Cause" ordinance that appear to have an impact on landlords that are not currently required. The proposed ordinance would require the following:

- The landlord cannot remove a tenant where the rental agreement has terminated unless the tenant refuses to execute a written extension.

This provision would impact all owner/landlords as well as mom-and-pop/smaller companies in that they would be required to offer a continuance of the lease of the premises to the current tenant. This would take away the right and autonomy of the landlord to decide who leases the property and transfers that right to the current tenant to determine whether they want to remain in the premises. A mom-and-pop/small companies may only have one or two units in which they may be required to continue to lease to a tenant they no longer wish to continue to do business.

- The landlord can remove a tenant if the owner/landlord intends to move-into or sale the premises that are under leased for not less than one (1) year. The owner/landlord must provide not less than ninety (90) days written notice to the tenant. Where the rental agreement lease expiration date is after the (90) day notice period, the tenant has a right to relocation expenses.

This provision would provide financial cost to all owner/landlords as well as mom-and-pop/smaller companies for relocation expenses. The relocation expenses are required where the landlord is intending to move back into the premises prior to the lease expiration, if the lease expires after the 90-day notice. It may have a heavier burden upon mom-and-pop/small companies that lack the resources to pay for relocation expenses. LPD is unable to ascertain what the potential relocation expense would entail.

- The landlord can remove a tenant if the owner/landlord intends to substantially rehabilitate the premises. The tenant has a right to relocation payments if the owner/landlord intends to rehabilitate the premises prior to the expiration of the rental lease agreement.

This provision would provide financial cost to all owner/landlords as well as mom-and-pop/smaller companies for relocation expenses, where the landlord intends to rehabilitate the premises (making the premises uninhabitable during the rehabilitation) prior to the expiration of the rental lease agreement. It may have a heavier burden upon mom-and-pop/small companies that lack the resources to pay for relocation expenses. LPD is unable to ascertain what the potential relocation expense would entail.