

The Gaggle_AG sues landlords

Amanda Luberto [00:00:02] Arizona is one of the fastest growing states in the country. As more people are moving here, more apartments are being built to house them. Yet, the cost of living in Arizona has jumped significantly over the last several years. In 2021, Metro Phoenix made national headlines when rents skyrocketed by 30%. And it hasn't been easy on renters.

Linda Collofello [00:00:28] It started out with Avenue five. Then the property complex turned to a Greystar community called Borah Apartments. And I'd lived there for almost five years, and my rent when I first started there was \$950, and it climbed all the way up to \$1,500.

Amanda Luberto [00:00:46] Linda Collofello is a former resident of a Greystar apartment complex. She says that when Greystar took over the nickel and dimed her endlessly. And Linda is not alone. She is just one of tens of thousands of Valley residents affected by price fixing. And Arizona Attorney General Kris Mayes is not having it.

Kris Mayes [00:01:07] I'm going to go after restitution. The attorney general's office and my team are going to try to return money to renters who had to pay higher rent than they otherwise would have if we'd had a truly competitive market in Phoenix and Tucson. The other thing we want to do is, you know, get a court to say to them, if they don't voluntarily stop using this algorithm, we want a court to order them to stop using the algorithm. And, we also are going to try to go after civil penalties, on behalf of the state against them.

Amanda Luberto [00:01:42] Welcome to The Gaggle, a politics podcast by The Arizona Republic and azcentral.com. I'm producer and host today, Amanda Luberto. This week, I'm joined by the Republic state politics reporter Stacey Barchenger and the real estate issues reporter Catherine Reagor. They're going to be helping us understand why and how rents surged. What help there is for renters and why Attorney General Mayes is issuing a lawsuit. Stacey, Catherine, welcome back to The Gaggle.

Stacey Barchenger [00:02:14] Hey, good to see you again.

Catherine Reagor [00:02:16] Great to be back.

Amanda Luberto [00:02:17] All right, Stacey, let's start with you. And let's set the scene for everyone. A.G. Mayes is suing nine different landlords over these unfair rent spikes happening across the state. Who is on the lawsuit list?

Stacey Barchenger [00:02:29] So the attorney general's primary target is this company called RealPage. It's a software company. We will talk more about that in this episode. But if you live in an apartment complex owned or managed by one of these following nine companies, listen up. I'll just rattle through them. Most of them are not based in Arizona, for what it's worth, but they have a huge footprint here. The defendants in the lawsuit are apartment management consultants Avenue 5 Residential, BH Management Services, Camden Property Trust, Crow Holdings, Greystar, as you mentioned, HSL properties, and they're actually based in Tucson, RPM Living and Weidner Property Management.

Amanda Luberto [00:03:12] And can you explain to our listeners how these companies are fixing the rent prices? Like what does that mean?

Stacey Barchenger [00:03:20] Yeah. Great question. So RealPage, is this software company that is essentially a go between these landlords and think about how this used to work. If you were a landlord, you listed your apartments for sale on the internet at a certain rent price. Your goal was to fill them up. You don't want empty apartments. That meant you weren't making any money. Enter RealPage, which the attorney general alleges is helping fix prices by working with these companies that used to compete with each other. So now you have an early and an inside advantage of knowing what your competitor will be charging for a similar apartment. Mayes has said that that shifted sort of the focus from competition to fill apartments to being less worried about filling empty units, because you can levy these hundreds of dollars increases on existing tenants. And one of the ways that I have come to think about this is, you know, you're playing poker with your friends, you're going to play differently if you know the hand that the person sitting to your right has been dealt.

Amanda Luberto [00:04:25] It's a really interesting way to put it, and I'm really glad that you put it in a metaphor. It's probably easier for people to understand than these more technological terms, but it's no mystery to anyone that inflation has been a factor in the U.S. economy over the last few years. Catherine, how much did people's rent go up by and how much of it was due to inflation rather than malpractice?

Catherine Reagor [00:04:48] Well, we had a big population boom. And it hit right when we had a housing shortage during the pandemic. People came here. They could work remote. You could at first get a lot more than you could in California for your apartment. And so that 30% -- jaw dropping 30%, that was the average. But I talked to people whose rent went up 50%, 60%. I talked to a family, a woman with four children in Scottsdale who was living there so she could be near her job. Hers went up \$800 a month. Another woman with a daughter who had her own bedroom, a nurse \$500 a month. They had to downsize to a studio. It was bad and inflation played into it. But we know that there are issues with what's going on behind the scenes and with what rents driving up. Look at our record homeless right now and what's going on. And that is directly responsible because of those higher rents.

Amanda Luberto [00:05:40] And inflation is having everywhere in the country. And we happen to be one of the states that's having this terrible housing crisis. So it's, you know, maybe not. It's even handed. Just to be transparent, I rent an apartment. So I definitely know that a part of the rent prices are these variety of fees that are on top of the rent. So my rent might be X, but what I really end up paying at the end of each month is why these are often called complex fees or something similar. Adds a few cents here, a few dollars here, but it's not really clear to tenants what they're for. Did the Attorney General address any of these in her lawsuit?

Stacey Barchenger [00:06:17] So as far as I understand it, these are not addressed in Kris Mayes lawsuit. It's really going after this price fixing scheme. And I should note RealPage. They've been sued in other jurisdictions and other states and they have denied any wrongdoing. They didn't comment for our coverage on this. But just in fairness to them, I will say though, for anyone that's really upset that they have to pay a rental tax that we believe is on its way out, that doesn't have to do with the attorney general's lawsuit. But Governor Hobbs last year signed a bill to phase out and eliminate the rental tax starting in 2025. That's supposed to be passed on to renters themselves. So, Amanda, you might be getting a break next year.

Catherine Reagor [00:06:59] Also, housing advocates have been pushing for legislation that lays out exactly what a renter owes. This is what you have to pay if you're late. This is what you have to pay for this. And I know it's been introduced, but I'm not sure it's moving.

Amanda Luberto [00:07:10] While the lawsuit is playing out. And while we're sort of in the middle of it, is there anything that renters can do right now? Are there rental assistance programs they can do or somewhere where they can voice their issues and concerns?

Catherine Reagor [00:07:24] Most of the federal renter aid money from the pandemic and stimulus has gone, but there are renter programs within cities and you can reach out. I know several of the bigger cities have those. The funding, though, isn't what it used to be. And Community Legal Services, which is a nonprofit legal aid. It has money from Maricopa County and the state of Arizona to help renters for free. They are very busy and I understand that, but they are a good resource and you can call or go on their website for that short of, unfortunately, hiring their own attorney, the landlord bill. You know, the tenant Bill of rights is an enforced you have to hire an attorney and do that. And when you're paying higher rents, that's not really easy. But I am hearing from housing advocates that this lawsuit was a really good step in the right direction. And when I talked to the AG's office, they said, even if you're not named in the lawsuit, contact us, file a complaint. And I've been encouraging renters to contact me, just file a complaint because it could be expanded.

Amanda Luberto [00:08:23] The renter we heard from at the top of the episode, Linda Collofello, wants some sort of financial acknowledgment.

Linda Collofello [00:08:30] I want them to return everybody's money that that was owed to them, because it's only right to give back the money to the people that it is owed to, and to go after the property owner management, the management, the owners of the complexes and let them know that they can't overcharge people for all these astronomical fees.

Amanda Luberto [00:08:51] Is this something that we could see? If Mayes wins the lawsuit, could tenants see money returned to them?

Catherine Reagor [00:08:58] It's not really clear. I asked that, and she said she's looking for civil penalties. And a many renters are asking me that because they need that help, and they're hoping to get it fast to try to stay in their apartment. And several have said I could be homeless next week because I can't pay this. But it has not been clear.

Stacey Barchenger [00:09:15] Yeah, Mayes has said that if she does win the lawsuit and then when civil penalties, which a judge would have to order, she would like to see that go to tenants to make them whole. We're talking years down the line. A couple of ifs there, just in transparency. She's also asked the court to issue an injunction to stop this alleged price fixing now, and appoint a monitor to ensure that any dealings between the RealPage and the landlords and any court orders are carried out as they should be.

Amanda Luberto [00:09:45] So our listeners may have heard Stacey list their apartment complex owners name at the beginning, or they are suspicious that their landlord is overcharging them for rent. They can still alert someone. And how do they go about doing that?

Catherine Reagor [00:10:01] The AG's office and they have said alert us even if they're on the list, has a complaint form on their website to do that. And they said they'll be following up. Several renters without landlords on the list have done that already and have been contacted. So that is something. And there are housing nonprofits that if you work with you that can be alerted and there's a list at easyeviction.org of how to get help. If you're facing that. So there's help out there.

Stacey Barchenger [00:10:29] The attorney General's website, if you want to file a complaint is easy aggravate complaints.

Amanda Luberto [00:10:37] Are there any complaints so far? Or have you heard murmurs of these sort of smaller person to person landlords? Do those exist in the greater Phoenix and Tucson area, or is it mostly these companies that take over?

Catherine Reagor [00:10:52] We have a lot of smaller landlords still, but during the pandemic and the boom and when rents went up, we had a lot of big corporate landlords come to town. And I can tell you that the apartment complexes with the most evictions and some of the biggest rent hikes were bought by out-of-state landlords. And that is an issue housing advocates bring up. And there's even been talk of having legislation to limit that kind of I don't know how that can happen because that's free market and capitalism. But you talk to people who they don't know who to go to or who to complain to or who to ask for help. But I do hear from the multifamily association, the smaller landlords have fewer evictions and, you know, own their properties at right. And the more moderate, and they like having those tenants in there for long term.

Amanda Luberto [00:11:34] Last question for you guys. My very basic understanding of economics tells me that what goes up must come down. Is there a chance that we could see rent prices decrease because they were spiked up so high?

Catherine Reagor [00:11:46] Rent prices have dropped about 5% from last year. What it goes hand-in-hand with is we are seeing more apartments being built and we need those, but not as many. When they look at our deficit, they're saying it could take ten years to get. And that's based on not growing a lot. And we know we continue to grow 70, 80,000 people a year in Metro Phoenix. So that's an issue. And already I'm hearing apartment analysts say we may see rents climb again later this year.

Stacey Barchenger [00:12:13] You know, I'm actually also a renter, and I just went through this process where I was able to negotiate down on my rent a little bit, saving me about 75 bucks a month. Catherine, how common is it that people can negotiate and save themselves some money?

Catherine Reagor [00:12:26] Definitely more common now than two years ago when the rents, you know, were just flying up. And, you know, consumer advocates say, yes, negotiate, ask, ask to get rid of fees, ask for slightly lower, you know, offset. And we are hearing more happening and more people are getting a free month rent and things like that. So that shows some stabilization. Now if rents start to climb again and population grows and we don't get the apartments, then it could go away. But this could be the time.

Amanda Luberto [00:12:53] Is this happening in Tucson as well? I know that the lawsuit is happening statewide in Tucson.

Catherine Reagor [00:12:58] The mark is a little different. They have growth, but not quite, you know, not as much as we do. And their rents started lower. So it's a little more moderate. But they are having the issues and the eviction issues too.

Amanda Luberto [00:13:10] All right. Well thank you both for joining us on The Gaggle to discuss this. Listeners can always find your work and stay up to date on this ever-changing story on azcentral.com. But if they would like to follow you on social media, where can they find you?

Stacey Barchenger [00:13:24] I'm at @sbarchenger.

Catherine Reagor [00:13:31] I'm at @CatherineReagor

Amanda Luberto [00:13:37] Thank you guys so much.

Catherine Reagor [00:13:38] Thank you.

Amanda Luberto [00:13:39] That is it for this week Gaggle listeners, do you have questions about today's episode or topics you'd like to see us cover on the show in the future? Let us know. Send us a message at (602) 444-0804, or leave us a voice memo to TheGaggle@ArizonaRepublic.com. That is all. One word, all spelled out. This episode was written by me, Amanda Luberto, with research and scripting assistance by Kaely Monahan. Katrina Michalak edited and produced today's episode. Our news direction is by Kathy Tullamello and episode oversight by Kara Edgerson. Music comes from Universal Production Music. Never miss an episode of The Gaggle by subscribing to us wherever you listen. If you learned something new today, be sure to share this episode with a friend. You can also leave us a review and read us five stars. You can follow The Gaggle on social media @AZCPodcasts. I'm @AmandaLuberto. The Gaggle is an Arizona Republic and azcentral.com production. Thank you again for listening. We'll see you next week.