

# Legislative Analysis

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

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**House Bill 4171 as enrolled**  
**Public Act 147 of 2006**  
**Sponsor: Rep. John Pastor**  
**House Committee: Judiciary**  
**Senate Committee: Judiciary**

### **Second Analysis (2-14-07)**

**BRIEF SUMMARY:** The bill would require a landlord or a tenant to be awarded damages for labor expended in repairing the licensed premises in the same manner as if the repairs had been performed by a third party.

**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 a 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 Chapter 57 of the Revised Judicature Act (Summary Proceedings to Recover Possession of Premises) 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 usual and customary charges for the repairs.

Similarly, the bill would require a court to award damages for labor expended by a 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 usual and customary charges for the repairs.

The bill carries an effective date of July 1, 2006 and would apply only to an action filed after that date.

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 the usual and customary charges for the specific types of repairs, not on the actual numbers of hours spent making the repair by the landlord. 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 customer charges as performed 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.
- It is unclear how courts would determine what the "usual and customary" labor charge is for a particular type of repair job. 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 could 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.

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