

# Renter Protection Ordinance: Security Deposit



## Why limit the amount a property owner can charge for a security deposit?

Minneapolis is a majority renter city with 89,000 households renting their homes. In Minneapolis, renters are more likely to have lower incomes than homeowners, housing costs continue to rise at a rate faster than incomes and rental vacancy rates are persistently low. In this environment, it is difficult for renters, particularly low-income renters, to obtain housing. High upfront costs are an additional barrier to obtaining rental housing. The ordinance limits upfront costs by capping the amount a property owner can charge for a security deposit.

## What does the ordinance say?

The ordinance caps security deposits at a single month rent (see Scenario 1 below).

If a property owner chooses to ask for more than one month of rent up front, the security deposit is capped at half (50%) of a single month rent. In this scenario, the resident may also choose to pay the security deposit in installments (see Scenario 2 below).

<b>Scenario 1 - Security Deposit = 1 month's rent</b>	<b>Scenario 2 – Security Deposit = ½ month's rent + installment option</b>
Upfront costs for renter: Security Deposit + first month's rent	Upfront costs for renter: Security deposit + first month's rent + additional rent
Example – Rent = \$1000/month  Security Deposit = \$1000 + First Month's Rent = \$1000 <b>Total upfront costs for potential renter: \$2000</b>	Example – Rent = \$1000/month  *Security Deposit = \$500 + First Month's Rent = \$1000 + Last Month's Rent = \$1000 <b>Total upfront costs for potential renter = \$2,500</b>  <i>*\$500 security deposit may be paid over 3 months</i>

# Frequently Asked Questions

## **What is the goal of the ordinance?**

The goal of the security deposit ordinance is to provide a fair, transparent standard for residents and help ensure that renters do not have an additional barrier of extremely high upfront costs to secure housing.

## **Are there any exceptions?**

There is an exception for units subject to a referral between a landlord and non-profit service provider or government agency. In those situations, a security deposit may be up to one and one-half of a single month rent.

## **How will it be enforced?**

The ordinance will be enforced through the City's [housing maintenance code](#).

## **How are property owners affected?**

Property owners may use either option allowed under the ordinance. If they choose to charge more than a first installment of rent upfront, the renter may choose to pay their security deposit in installments.

## **What remedies are available to a property owner if a tenant chooses the installment option and does not make all of their installment payments?**

Security deposits are not rent. A property owner may write the installment payment arrangement into a lease and include remedies for underpayment of installments in the lease language and/or pursue an underpayment in small claims court, just as a tenant has the option to seek recovery of a deposit in small claims court. Security deposits are not rent.

## **Are there similar requirements in other jurisdictions?**

There are security deposit limits in 26 states.

## **When does the ordinance go into effect?**

The effective date for the ordinance is June 1, 2020 except for property owners with 15 dwelling units or less. The effective date for those property owners is Dec. 1, 2020. Prior to the effective date, the City will convene a cross-sector implementation committee to create and execute an implementation plan. The committee will include representatives from legal and tenant advocacy organizations, the multi-housing industry and city departments. The committee will determine best practices and policies for ordinance implementation.