

Teacherages & Member Rentals/Leases

Liabilities and Exposures Resulting from Landlord Members

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Teacherages were a concept ahead of their time. Teacherages originated in rural settings to provide living accommodations for schoolteachers. By 1910, teacherages were all the rage in rural communities because they relieved local families of boarding teachers in their homes. Comfortable teacherage also helped attract quality teachers to schools that otherwise would have faced staff vacancy difficulties.

Though extremely useful in the past, many of our Members no longer need to provide teacher housing and have considered renting or leasing these spaces to the public. Whether renting property to teachers or to the public, Members should evaluate the additional liability and property exposures leasing property can cause.

In a rental situation, there is the potential for both property losses and liability losses. For example, property loss may result from water damage due to a frozen water pipe. For the Member, this might mean paying a deductible and potential lost revenue from the tenant. For the tenant or renter, it could include the loss of furnishing that they personally own. Property loss exposures may also include perils such as theft, fire, mold, water leakage, weather related damages, and losses due to lack of maintenance.

Liability exposures from renting include crime, pet exposures (bites), and damages resulting from lack of maintenance or supervision. If your entity is considering renting out property, take care to mitigate loss to both yourself and the renter. It is recommended that whenever possible require renter/tenant to carry their own property insurance.

Examples of Recent Losses

- A severe wind and hailstorm blew down trees onto a Member's teacherages, causing severe damages. The trees needed to be removed and the resulting damage repaired before any of the teacherages were habitable again. Member property damages were \$90,000.
- A partial roof collapse occurred during the re-roofing of a building due to overloading the roofing with materials. In the space below the collapsed roof was a tenant of the Member. Due to the partially collapsed roof, the building was deemed uninhabitable. The tenant was forced to vacate the rented space and relocate off site. The tenant did not have insurance for their property or potential lost income. Member property damages were \$250,000.
- The pipes froze and burst in a vacant three-bedroom teacherage causing significant damage. Unbeknownst to the Member, the gas had been turned off by the utility company. Member property damages are estimated at \$40,000.
- A duplex teacherage caught on fire. The fire was determined to have been caused by the failure of an electrical appliance, specifically a tenant-owned stereo. Member property damages were \$113,000.

- A teacherage caught on fire and pets perished. The fire is believed to have originated from a wood stove. The Member previously advised the tenant that the stove was not functional, but the tenant used it anyway. The property had extensive fire and smoke damage. Member property damages were \$89,000.

CSDSIP Coverage

Personal property owned by the renter/tenant is not covered by the Member's insurance policy, even if the tenant/renter does not carry renters' insurance. Renters' insurance should include liability protection in addition to coverage for the renter's personal property. Renters are responsible for their own liability, but the Member could still have some potential premises liability. The Member's Property policy through the Pool states:

The Pool will pay for direct physical loss of or damage to:

1. The insurable interest of the Member in all real and business personal property at the "Member's premises" or within 1,000 feet thereof;
2. Property in which the Member has an insurable interest or has an obligation to insure.

Guidelines

- The Member should execute a lease for each occupied space (Teacherage, office, etc.)
- The lease agreement should have a hold harmless clause to protect the Member and release them from liability.
- Establish a security/ cleaning deposit guideline.
- Require proof of renters' insurance.
- Establish relationships with the utilities companies to ensure the Member receives prompt notice of disconnects.
- Remove equipment that is obsolete or non-functional.
- Inventory Member owned property located on the rental premises.
- Require a 30-day written notice if the renter plans on vacating the premises.
- Place pet control responsibility on the renter.
- Conduct initial and final inspections. Do periodic inspections. Document this activity.
- Set use of premises rules. (No illegal activities, noise infractions, disturbance issues, entrance use, etc.)
- Require maintenance upkeep equal to the maintenance of other district buildings.

When renting or leasing Member property such as office space, apartments, and homes, agreements between the Member and the tenant/renter are crucial. The renter should understand their responsibility for their personal property and their liability. Written agreements help to establish the responsibility of all parties by identifying their obligations and vested interest. The Member **cannot** and should not provide insurance for non-Member owned property of tenant/renters or for their misconduct that could potentially lead to property loss and/or liability.

While it may make sense financially to rent out unused Member property, ensuring that safety guidelines are put in place lower the likelihood of loss to both the Member and the renter. Contact CSDSIP's Legal Resource Program for contract review or Risk Control for safety concerns.