To: Human Services and Housing Sub-Committee

Please submit for public record:

Chairperson Kenny-Guyer, Vice-Chair Piluso, Vice-Chair Stark, and Members of the Committee,

I am writing to you to both support HB 4001 as well as to urge you to modify the provisions of the bill slightly in order to avoid unintended consequences that would ultimately reduce the number of existing affordable housing units that we have operating throughout our state.

Our firm has worked in affordable housing and related services (Summer Food program, Harvest Share Food Bank and so on) for the past 25 years. Our firm owns and operates three buildings in the Clackamas Town Center Urban Renewal District, while also serving as advisor to several dozen non-profit affordable housing organizations. During these years we have helped to develop more than 3,100 units of affordable housing serving all kinds of populations in communities such as Hines, The Dalles, Cottage Grove, Dallas, Milton Freewater, Hood River, Pendleton, Salem, Happy Valley and elsewhere.

While I agree that in the current "hot" rental market there are specific tenant protections that need to be undertaken, such as a state wide 90 day notice for rent increases, I am concerned about two provisions of HB 4001 and am asking you to enact these protections for otherwise unprotected tenants who are at the whim of the marketplace, without damaging the existing affordable housing supply. These concerns are summarized as follows:

- Concern No. 1:The 90 day rent increase notice provisions of the bill will financially harm ***existing*** affordable housing. Today,

providers of affordable housing must wait each year for HUD or OHCS to tell them when they can raise rents and by precisely how much. Since the rents are formulated on changes (up or down) in area median income, often, many years go by with no increase in rents as median income of the area may not increase (even if operating costs escalate). Affordable housing projects often wait more than a year to learn from regulators whether the rents can be raise or not, and by how much. In recent years affordable housing rents have gone down as area incomes declined. Meantime all other operating costs are increasing, particularly utility costs. If another 90 days is added onto this waiting period then rents may effectively remain fixed for as long as two years. When the financing mortgages for these existing properties were underwritten, none of these extra waiting periods were contemplated. If an additional 90 days is added onto the already long lag times, existing affordable properties will lose ground and eventually may not be able to meet mortgage payments. By eventually I mean in the next three to five years or sooner. If these existing properties go into foreclosure then all affordable housing restrictions from OHCS and other funders are wiped out, because the bank has a first position lien. The property can be sold by the bank as a market rate property and the state and federal investments, along with the affordable housing, are no longer serving the cause: a terrible outcome for all of us and certainly not the intent of HB 4001.

- Concern No. 2: HB 4001 also includes provisions that require landlords to pay one month's rent to evicted tenants when tenants are evicted "for cause". The vast majority of affordable housing properties are already required to evict only in "for cause" situations. For cause evictions in Oregon are difficult to obtain and are not undertaken lightly as the projects tend to lose between $4,000 to $15,000 per eviction. If an affordable housing project must provide one month's rent for all tenants evicted due to, say, extreme or dangerous "for cause" actions (menacing, assault, and so forth) affordable housing costs are going to escalate even more. In market rate properties, there is likely room for these eviction costs. However, all affordable housing properties in Oregon are underwritten by HUD and OHCS to have very little cash flow. Expenses have no restriction and many properties have suffered over the last 20 years as utility

costs, in particular, have increased at extraordinary rates. With very little cash flow coming in and a new obligation to provide relocation rent to tenants evicted for cause, a lot of properties will fail financially. The same is true of the HB 4001 provision for presumption of landlord retaliation if the landlord raises rent within six months of any repair request. What would stop tenants from simply requesting a repair every six months so they can claim a retaliation defense at any time whether or not retaliation has occurred?

Solution: Acknowledge that tenants in affordable housing properties that are operating under direct governmental (OHCS, HUD, RD) regulatory control have a number of the protections already available and these properties should be exempted from the provisions of HB 4001 so as to avoid layering on additional and potentially conflicting regulations, and damaging their already limited operating funds.

Thank you for your consideration of these comments and this request.

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