

Representatives GORSEK, PILUSO, POWER; Representatives ALONSO LEON, DOHERTY, HERNANDEZ, HOLVEY, KENY-GUYER, MALSTROM, MCLAIN, NOSSE, RAYFIELD, SANCHEZ, SMITH WARNER, Senator MONNES ANDERSON:

**Please do not approve HB 2400 unless you want rents to increase and the supply of rental units to stagnate!** Increasing landlord expenses and regulations is not an incentive for landlords to invest more money in additional units. Rental demand is increasing due to increasing population, but the cost to purchase or construct rental units is also. An adequate return on a rental investment is required.

The City of Portland's response to the rental crisis has already created significant issues for landlords, and expanding the restrictions through HB 2400 will only aggravate the problem. From my perspective as an established landlord, the proposed regulations provide an incentive to raise rents. I also believe that more rental units will not be added to the housing supplies since landlords won't be willing to invest in new units until such time as the rents have increased sufficiently to provide an adequate return on their investment.

While preparing to file my tax return I reviewed my return on three rental houses I own in Portland. Remember that most landlords depend on an adequate return on their investment to justify the investment. In 2016 my net income on the three houses provide a return of 1.3%, 4.0% and 2.7% respectively on my equity (based on the market value of each property from tax statement I paid on November 15, 2016). The first property has a first mortgage loan, but the other two properties I own free and clear. These are not adequate returns on my equity! **My other investments provide higher returns with far less risk, or proposed regulations restricting my control of my investment.**

I also feel that if HB 2400 is approved, it will necessary to raise rents annually on my properties just to have funds available to make repairs and improvements that I will not be able to recover when local rent controls are implemented. Rent controls are not a solution unless you want Oregon rents to compete with San Francisco.

Also since HB 2400 eliminates “no cause evictions” this will be a problem when I elect to sell a property. Without the “no cause eviction” option I will need to increase rents until my tenant elects to vacate, just to avoid paying relocation costs.

In conclusion, HB 2400 will create an incentive to increase rents each year, and will not increase the supply of rental units. The passage of HB 2400 will cause me to implement a plan to exit my investments in rental housing units in Oregon. I believe this will be the unintended consequence of HB 2400 and certainly not a solution to the declared emergency rental housing crisis.

I believe the best way to resolve the rental housing problem is to provide incentives for more rental units which will increase the supply of rental units and rents will be determined by the market.

Regards,

Richard Farance