

Dear Sirs,

We are all tenants. Many become home owners, but we start and end our housing life as tenants with many returning to tenancy between home ownership as we move through life. Many of us have children, and they too will start as tenants. This matters to us all.

Fixed Term Leases are necessary for estate planning and future planned use. An example would be a relocating for a job temporarily - I would be less likely to rent out my home if a fixed term lease automatically renews. I would simply keep it vacant.

I am a fan of the 'Just Cause' evictions, however they need to be reasonable and equitable for both sides. As ORS 90 is currently written, changing a couple small aspects of fixed term tenancies like written in this bill without a comprehensive review of the entire Landlord/Tenant statute would be very unfriendly to investors. This law is laced together with many interwoven pieces, and much care needs to be taken when considering changes like this.

If Mom's house is a rental and she is placed in a home, the rental would need to be temporary for a number of years until her care costs such we would need to sell it to continue to pay for Mom in the care center. That's better than turning her expense for care over to the government.

I have 3 children under 7. I am in my late 30s with a wife who works full time like I do. We have outgrown our home and need to move. I am considering the potential sale, or renting out of our personal home. Keeping the home as a rental would be an investment but it would need to cashflow in order for us to make the decision to become landlords. The profit margin on monthly cash flow would not be beneficial given our current mortgage expense, along with the cost of maintenance and property taxes with caps on rent increases or a limit on future rent increases.

Please consider our situation:

- Property taxes go up by approximately 3% per year or more. This means a rent increase to 'Break Even' would need to equal or greater that amount.
- The systems of a home age and deteriorate over time, more quickly with a renter than an owner who takes different level of care in use of the home. Roofing, siding, windows, carpets,

fixtures, these all have a useful life. These also get more expensive to repair and replace as time goes on due to material and labor expenses.

- A reasonable landlord would put away \$200 per month of tenancy. This would help defray the costs of turnover, and the cost of capital improvements.
- Property Owners must pay income tax on rental income. That takes away from the disposable income that could first be used for maintenance or taxes.
- Consider the education I need to get as a landlord – fair housing rules & changes, landlord tenant rules, department of housing rules, local codes for maintenance and upkeep, etc. With penalties in place, rightfully so, I need to get this training to avoid unnecessary adverse action against tenants, which can cost me dearly. These classes require my own investment of time and money increasing the costs of investment ownership.

The only benefit to being a landlord is the potential equity in a future sale of a rental property. The monthly cashflow of most rental properties isn't high enough to get a payback month over month, especially with regular maintenance of fixtures and appliances (e.g: one dishwasher being replaced for \$400 would remove any rental profit for 3 months after income taxes on rental income, at best). Ownership of rental property is a low margin investment.

If your legislation tips the scales too far in one direction, it would not be worth my time to rent my home out. I will sell it to a future home buyer. This will not be an investor. Investors need a ripe market to participate, and right now, most investors are leaving this market because their money is worth more in other markets nationwide.

I don't think the State of Oregon is prepared for the lack of supply these actions are have the potential to generate. Peers are influencing me to invest in states like Tennessee where the value of the dollar can go much further, and the climate is more friendly to landlords. Legislators need to remember investors do NOT need to participate in the rule changes – they can simply say, 'You Win,' sell their property, and bow out.

Landlords willing to participate in this market will simply factor the increased expenses to 'buy out' a tenant into the cost of their doing business. But again, rental homes being sold today are typically going to first time home buyers. This further restricts affordable housing opportunities to tenants.

Legislators and constituents will be left to manage the resulting housing problem with more hammer and fist from the legislators because builders and developers will see a reduction in their investor capital. Any future regulation or manipulation to free market will affect the number of investors will to 'play' in Oregon. It would be interesting to analyze how many absentee owners are out of state versus in-state investors.

Solutions to get out of this housing problem:

- Promote education programs for skilled trades: this has a long term benefit for motivated individuals ready to work. The problem with our state is higher wage earners are flowing into the market with high levels of skill and motivation to take those paying jobs. Too many citizens have not been willing or able to step up and seek these jobs for themselves. This increased an income gap that not even higher minimum wages can compensate. You will still have higher wage earners moving in, and free market will continue to reward people who have the means even if the prices are higher. To help housing, look at education long term.

- Institute property tax credits for absentee rental homes: this will limit the increasing annual expenses of home ownership, limiting the regularly increasing cost of owning rental property in this state.

- Provide Landlord Protections:
 - Provide investors protections from professional tenants – tenants who game the system to take advantage of property owners by requiring both parties in a landlord/tenant legal action pay their own attorney's fees unless the court finds the landlord acted with malice or willful disregard to tenant rights outlined in ORS 90.
 - Provide Landlords free classes to educate them in tenant rights.
 - Provide tax credit incentives for upgrades to absentee owned rental property for capital improvements for energy upgrades including but not limited to windows, doors, insulation, HVAC, mold mitigation measures, Efficient Appliances, etc.
 - Allow Landlords to establish free market rent prices on turnover.
 - Allow Landlords to seek monetary judgement for unpaid damages in FED actions in addition to possession.

- Increase the time for unpaid collections for landlord debts from 1 year to 3 years.
 - Allow Landlords to evict tenants by increasing the repeat violation on the for cause notice to 12 months, from 6 months for a recurrence while increase the repeat violation notice from 10 days to vacate to 20 days to vacate.
 - Allow for 3 unrelated notices of disturbances in a 12 month period to be a just cause to terminate tenancy.
- With regard to rent increases, allow for rent increases upto 2% above the rate of property tax increase over each year.
- By statute, Limit occupancy in rent controlled areas to 2 occupants per bedroom plus 1, which is the HUD recommended standard. Tenants who occupy rent controlled housing often overpopulate the rental units. These are often adult children, their children, and extended family members. This can lead to a major heat load on the rental unit, rendering the ventilation grossly inadequate. Even in properly functioning rental homes, this will create mold and moisture in the home, degrading air quality and increasing maintenance costs for ownership.

In closing, I may turn my home into a rental, and I would be an honest and reasonable landlord to obey the rules and obligations. But that is and will remain my option with my investment. I may walk away and sell it to a first time home buyer and take the money to buy up a larger home, or take the equity and use it as a down payment on TWO homes in another state. It would take 1 tenant out of the local rental market, but soon another will replace him in the market looking for safe long-term housing as migration continues of people looking to plan in this fine state.

The reason for landlords to sell is not just the vitriol from tenant actions against the market forces, but the fact supply of housing for sale is so low in general. Sale prices are nearly too enticing NOT to sell. Future & further regulation of the rental market on ‘moral’ grounds may tip the scales even further for investors.

You hold the keys to you and your children’s ability to rent in this state. Be good stewards of their future, and ours. Thank you for all you do at the state. I am holding onto my listing pending your decisions this session.

Robert & Leah Johnson
Potential Investors of Real Estate