

**TESTIMONY OF JOHN DILORENZO, JR.
ON BEHALF OF MULTIFAMILY NW
IN SUPPORT OF S.B. 794
BEFORE THE SENATE COMMITTEE ON HUMAN SERVICES
March 20, 2017**

Good afternoon Madam Chair and members of the Committee. My name is John DiLorenzo. I am a partner with the law firm of Davis Wright Tremaine and am here this afternoon on behalf of my client, Multifamily NW in support of S.B. 794. Multifamily NW was founded in 1992, and was created to represent residential property managers and vendors throughout Portland, Southern Washington, and down through the Willamette Valley to Medford. Our members own and manage over 150,000 housing units in these areas and represent every service related to the industry. Our organization, in conjunction with organizations representing every facet of the rental housing ownership community, is an active participant in

the MORE HOUSING NOW coalition to encourage the expansion of our housing stock to accommodate the significant inward migration of new residents to our cities and state.

It does not take an economist with advanced degrees to recognize that the reason rents have increased substantially over the last few years is that supply of rental housing has not kept up with the demand for it. Our government leaders have done a marvelous job making our cities and our state as a whole very desirable places to live and have actively encouraged the location of new employers who, in turn, have attracted high skilled employees from all over the country. This, in combination with inward migration for other reasons, has resulted in a circumstance in which many newcomers with disposable income are moving into the state. What our leaders have overlooked is ensuring that all of these newcomers have

places to live. It is no wonder that they seek the most desirable places they can afford. Because new housing construction has not been encouraged, newcomers chase a limited supply which, in turn, places upward pressure on rents. Simply put, when excess demand chases limited supply, prices rise.

Our organization actively opposes rent control (or rent stabilization) legislation because it has never worked. Rent control and stabilization schemes only exacerbate housing problems, taking much needed housing supply out of the free market and producing hyper-inflation for those rental units that remain outside of the rent control regime. For the rent controlled units, owners are disincentivized from making expenditures to properly maintain and improve their holdings. No one wins.

We do advocate governmental policies that encourage construction of more housing and would be pleased to outline them on another occasion.

The market itself is also encouraging new construction and an increase in supply. We are seeing this in Portland presently. Rental increases are slowing and, in many submarkets are now flat, as new units are coming on line.

But we also realize that the search for equilibrium between supply and demand takes time and is of little solace to those who have no upward mobility in wages and are now squeezed by rising rents. Most of those affected are great tenants. They take pride in their homes and contribute to their communities. Landlords, for the most part, would like to keep them.

This is why we support S.B. 794. The bill establishes a renter assistance program designed to provide temporary rent

subsidies to tenants until the rental markets stabilize. The bill directs the Housing and Community Services Department to develop and implement the program in conjunction with non-profit organizations that have experience in providing rental assistance. The non-profit(s) would conduct tenant eligibility screenings to determine need, provide rental subsidies which would bridge the gap between what a rent challenged tenant can afford and what the market demands, and make agreements with landlords to limit rent levels to no more than what the market justifies. The program would emulate many of the characteristics of the federal section 8 program but would be flexible enough to serve tenants with good rental histories who are challenged by recent price increases.

The remainder of the bill sets up a system to build up a rental assistance fund by using leverage available from the

federal tax code, much like that employed by the fund which the Oregon Film and Video Office administers. The bill envisions that the Department of Revenue will offer to Oregon taxpayers, the option to purchase Oregon Renter Assistance tax credits and to use those credits to offset their Oregon income tax obligations. The credits would be offered in an auction market administered by the Department of Revenue.

We anticipate that the fund will raise significantly more than the actual face value of the credits because, alternative minimum taxpayers at the federal level will have the opportunity to also take a federal charitable deduction for the amount they pay for the credits (because the credits fund the operation of the non-profits that provide the subsidies). Many AMT taxpayers are willing to pay more than the equivalent reduction they will realize in their Oregon income tax obligations due to the

corresponding federal tax advantage they will also realize. The entire circumstance grows the fund by much more than the state income tax that is forgone. In that way, the federal government indirectly helps grow the fund beyond Oregon's investment in it.

We have suggested a target for the fund at \$25 million as a pilot project. Depending on you, that number could be more or less. Assuming you decided to forgo \$20 million of Oregon income tax revenue, the fund could easily grow to the \$25 million target or beyond. Assuming \$20 million of the \$25 million were available after costs of program administration to go to the subsidies, the program could help a significant number of currently rent challenged families.

For instance let's take a potential renter who's family now needs to bridge a \$250 per month gap between what they are currently paying and what the market is now demanding for

their unit. If the subsidy were \$250/month (on top of what the renter is already paying in rent), the annual subsidy would be \$3,000.00. If that was the average subsidy provided by the program, the program could help 3,333 families in need.

If the average subsidy were \$500/month, the number of families helped could be 1666. If the amounts in the fund were greater or if the average subsidies were lower, many more families could be assisted. Compare this to the Governor's budget which calls for \$300 million in bonding to build 1500 low income housing units.

Earlier this year, the Legislative Revenue office took a preliminary look at this proposal and concluded that it could be structured in a way that would make fiscal sense. We believe it could be a landmark response to our current housing situation and could be expanded if needed.

S.B. 794 could quickly provide relief to many families in need without altering the dynamics of supply and demand and further exacerbating the volatility of the housing markets.

Those of us involved in the MORE HOUSING NOW coalition stand ready to work with whomever wishes to join us in making this type of program work. We commend this idea to you and hope you will consider it as a way to benefit a significant number of people in need.

Madam Chair, I thank you and your committee for your consideration and am available to respond to any questions or comments you may have.