

Rosenberg Corey

From: AOM <AOM@imagesproperties.com>
Sent: Wednesday, May 03, 2017 9:08 AM
To: SHS Exhibits
Subject: Testimony Regarding HB 2004

Dear Chair Gelser and members of the Senate Human Services Committee,

I have been in property management for a little over two years working with a company managing a small, privately-held group of properties. I am not researcher or economist, and I have not made a study of the impact of rent control. The company I work for specializes in buying properties that are not in good shape and then improving them. The institution of rent control and banning of no cause notices makes this strategy less viable.

In my experience, these are the uses of no cause notices:

1. Get rid of tenants when they are engaged in criminal behavior and their neighbors are afraid to testify
2. Get tenants out of units that have not been upgraded in a long time and you want to upgrade the unit
3. Get tenants out of the unit when a law has been put in place limiting the amount by which rent can be increased unilaterally and the tenant refuses to sign a lease for a higher rate.

I have seen them used for reason number three far more than any other reason. I would argue that imposing rent control without banning no cause notices is essentially guaranteeing that as long as market rates are higher than allowed increase amounts rent control will not effectively exist. Tenants will be given the option to agree to rates in line with the market or will receive a notice of termination.

For this reason, I believe any arguments against banning no cause notices are pointless if you are going ahead with rent control.

I believe rent control will encourage a housing pool composed of slums.

Here is the cycle:

1. Units are full, economy is good, rents rise, artificial cap put in place, maintenance is deferred because landlords cannot increase rents to match improvements and rent increases are driven by location and legal limitations
2. Economy takes a down turn, rents drop, people move from complexes with deferred maintenance to be replaced by tenants willing to live there because the rents will be lower
3. Economy takes an up turn. Market rates rise. Current residents stay. Rents do not rise enough to compensate for loss of revenue during recession. Maintenance continues to be deferred. No investors are interested because return on investment to renovate is too low due to artificially capped rents.
4. Either the value of the land rises to the extent that it makes sense to pay current residents' relocation costs to tear down and rebuild, or the property remains a slum.

Couple this cycle with the perception on the part of investors, regardless of whether it is true, that apartments are more profitable where there is no rent control. This will limit the number of rental units available making it more likely for landlords not to need to spend money on maintenance to get the desired incomes until there is an economic downturn. Lower supply of units in worse condition.

Thank you for your consideration.

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