

TO: Senate Committee for SB 608

FROM: Michael C. Hoover, CRB, GRI
Principal Broker/Owner

RE: SB 608

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1. We presume (and pray) that legislators create a bill to correct a wrong, fix a problem, or want to change the behavior of the constituents by rewarding them with incentive to change. SB 608 legislates mandatory rent control, penalties to owners for change in use of property, disrupts capitalism, and generally changes the course of hundreds of years of common law and many, many years of Oregon Revised Statutes specifically known as Oregon Landlord Tenant Law which was originally codified in 1989. It also invokes an emergency clause.
2. What is the problem and where is the emergency? The problem is a lack of adequate availability of housing in any sector, owned or rented. US Census Bureau shows Oregon as the 27th state by population. However, it is the 12th fastest growing state from 2010-2018 and 6th fastest growing state from 2017-2018. And even more important, the growth of in-migration is 8th for 2017-2018. Out of the 44,000 population increase in Oregon from July 2017 to July 2018, 35,000 were in-migration. 31,640 new jobs were created between 12/2017 and 3/2018. Our growth is fueled to a large degree by jobs. However, only 10,604 new single-family permits were issued in 2017 and 20,053 including multi-family. All information is from the US Census or Oregon Agencies. Approximation for 2018 housing starts trended higher than 2017 for single family, but may not have for multi-family. Incidentally, there are 12,388 homeless in Oregon for 2018.

Again, the question is, does requiring a landlord to pay a tenant a penalty fee for having to move, disrupting the ability to obtain a personal residential loan, removing a no cause notice after one year, or invoking an emergency clause solve the problem that Oregon needs more housing? Is anyone in the legislature looking at land use impediments, the cost of System Development Charges (SDCs), and the imposed time delays associated with doing anything worthwhile? And finally, where is the emergency this addresses?

3. My observation of public bodies over my adult lifetime is that experts are shunned from discussion with decision makers at the planning stage. I have been an active Oregon real estate licensee and REALTOR® since August, 1972, 47 plus years. I have owned one of three companies continuously since 1979, or 40 plus years in two areas of Oregon. I have had a property management component since 1988, or 31 plus years. Since 2013, my company has been primarily property management. Generally speaking, I can say we perform a very good job at what we do. The majority of rental properties in Central Oregon are single family, not multi-family. We have managed as many as 600 doors, but today we manage 225-250 doors. Why, because small investors, the backbone of single-family rentals are selling their properties. And, who is buying, not other investors, but home occupant purchasers. There are less properties for rent because of this trend. How does creating an environment where the small investor is hurt

even more by SB 608 provide more rental housing? Since investors are selling the rental properties, where is there benefit by declaring an emergency to penalize investors by requiring them to pay one month's rent upon giving notice?

4. Using the word capitalism above will bother some. So, let's call it "risk reward." Our business model in the free world is if I take risk, I receive reward and if I take more risk, I deserve more reward. When a legislator requires an owner to now have more risk, in other words, will have to give a month's rent as a penalty for selling a property, where is there an increase in reward? Actually, what happens is that many owners will sell their properties and remove them from the rental pool. Have you reached your goal of having more rentals available in Oregon?

Remember, your initial goal was to solve the housing shortage, or was it? The high majority of economists in the US have concluded that rent control does not lower rent or provide for more housing. As Paul Krugman wrote in the *New York Times* in 2000, rent control is "among the best-understood issues in all of economics, and—among economists, anyway—one of the least controversial". Economists reckon a restrictive price ceiling reduces the supply of property to the market. When prices are capped, people have less incentive to fix up and rent out their basement flat, or to build rental property. Slower supply growth exacerbates the price crunch. And those landlords who do rent out their properties might not bother to maintain them, because when supply and turnover in the market are limited by rent caps, landlords have little incentive to compete to attract tenants. Rent controls also mean that landlords may also become choosier...

5. Passage of SB 608 will cause a decrease of availability of rental housing faster than not passing it. I have already sold single-family residential rentals except one in anticipation of regulatory damage. As a commercial investment broker for all of my 46 plus years I cannot in good conscience recommend the most basic investment strategy of buying a single-family rental as a good business decision in Oregon's real estate market today.
6. While a 7% potential cap on the increase of rent seems high in our current financial times, approving it now makes it easier to reduce it later. It is a fundamental process of government and elected officials, once something is approved it simply can be changed later.
7. What will professional property management companies and personnel do with the proposed rule changes. It will now require every infraction, no matter how minor, is tracked for the three strikes and you are out. However, what the lawmakers don't seem to understand is that every one of these infractions now become a matter of permanent record. A tenant who has a minor encounter with management or neighbors who file a complaint, is now of permanent record. Those tenants have trouble renting elsewhere. It is like having your young adolescent child with a newly acquired driver's license having a brush with an officer. We hope the experience isn't permanently on our children's record. We are permanently placing ordinary citizens in the position of not being able to easily ever rent again. Property management simply won't be able to look the other way for normal lifetime events. More control does not mean a better result.
8. The Landlord Tenant Law was constructed on the needed premise of equality between landlord and tenant as much as is possible for the risk taken with each side. The concept of equal notice was the bedrock of the 1989 law. Essentially, 30 day to each party. Tenants still may give a 30-

day notice, Landlords must now give a 90-day notice and are further being told to provide a financial penalty of one month's rent. Where is the fairness?

9. One of our owners, a real estate attorney in California owning several properties including a rundown property in Bend that someday would be torn down or remodeled, called this week. After explaining the impact of the provisions of SB 608, he decided to immediately demolish the rental or convert it to a non-residential rental. One more rental is now not available because of this ill-conceived legislation.

Michael Hoover is a native Oregonian of four generations. His family arrived in Oregon in 1851, before it was a state. Our family was one of the largest sub-dividers of real estate in Oregon ever, over 10,000 acres. Purchasing Camp White after WWII, and after being a major ranch, it eventually became a community, White City.

Mike, in his 46 plus years of licensed real estate experience, rose to be the 2000 President of the Oregon Association of REALTORS®. After a year of law school at Willamette University, he continued to be involved in the education of REALTORS® by teaching for over 30 years, 19 years as a Graduate of the REALTORS® (GRI) instructor. He has taught classes at the national level for the National Association of REALTORS®.

Mike is semi-retired, and as he moves even more toward some level of retirement, he has sold all but one of his residential rentals and has concentrated his real estate holdings in commercial property.