

To: Chair Fagan and Members of the Senate Housing Committee
Re: SB 608, Tenant Protections

February 3, 2019

Oregon needs a reality check. Rents are twice what they should be relative to property values compared with most other states. The San Francisco is one such example. The average rents in SF is a little more than \$2,500 per month. That includes both rent controlled (60%) and uncontrolled current outlay of payments. The average SF home goes for \$1,444,650. SF property values are very high, six times (6x) the National average or about five times (5x) that of Oregon cities. The same goes for commercial rental properties. Landlord profit from these SF rents vary in averages from 6.45% to 9% to a little over 10%. So, what should our rents be I ask you? What is one fifth of \$2,500. Considering the average rents in our cities are well above \$1,200 then you must conclude, as I do, that our landlords pocket more than half the gross rents. You need only the courage to ask them to open their books to see the truth of this.

Now you present us with SB 608 which, at best, resembles catastrophic health insurance. Neither part, the 7% or the CPI, comes close to the average wage increases as it should. Together they guarantee more economic refugees, not the stability we all desire. You insure people are covered for heart and lung transplants but the broken bones and diabetes they have to pay for themselves. Our tenants are broke and broken now. SB 608 does nothing to cure that.

Nor does it really curb evictions, as you provide many exemptions that serve well as ample substitutes. But you do provide extra incentives to evict because of the increase limits because you failed to include Vacancy Control in your design.

Then what is this about relieving landlords of “relo” (relocation payments) because they have four or less units? The expense of moving is the same for all tenants and it is necessary to bridge an unexpected, unplanned move. This will be a hugely debilitating as those tenants will face abandoning their belongings and possible homelessness. “Relo” was never meant to be punishment for landlords. And yet this brings up a wider question I can’t seem to get anyone to answer: Does this exempt rented single family homes as well? For reference, 60% of the rentals in Eugene are single family homes.

The Devil’s in the Details

I suspect the CPI is to compensate for increased expenses, but instead it makes rentals a cost-plus enterprise. I hear the songs about cost of repairs and rising property taxes, but that only works if you are charging rent to the same amount as costs. Typically, a landlord charges rent 15 times of their property taxes. If property taxes rise 3% then their real compensation amounts to only a 0.2% rise in rent. It is nonsensical that landlords should profit by 2.8% on top of costs. The same goes for increased cost of repairs. In “real” Rent Control” cities they recognize this when computing annual allowable increases. (Look in the lower left corner of: www.sfrb.org).

Evictions happen in many unexpected forms. In 1978 San Francisco passed their rent control ordinance. In there they permitted “owner move-ins,” just as you have, as a legitimate right of landlords after eliminating no-cause evictions. Well it took some time for the city to notice that they would move in just long enough to repaint, finish neglected repairs and put it back on the market in a matter of weeks... at double the rent. Finally, about 1998 the ordinance was upgraded requiring landlords to live at said

premises for three years, or else they had to hand it back to the displaced renter at the former rate. Even with that an investigative reporter recently visited all those move-in sites and found that 25% were not lived in by the landlord. Expect this exemption to be abused excessively because you require “zero” time spent living on the property.

I require and expect all of you to learn from history. Because you should have known this from the very beginning, puts you in an unenviable and undeniable position that you are flying the landlords’ flag and have no interest in tenant issues.

Advice

As you may consider amending SB 608, I would strongly advise you include Vacancy Control. On this alone I might support the measure. This would disincentivize landlords from evicting in any form. This is still far from the stability tenants need but clear-eyed observation will be needed to follow its impact.

I remain available to you for further advice as you deem necessary.

Sincerely yours,

Cliff Gray

Rent Control Now! Oregon

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References:

Buying Investment Properties in San Francisco

<https://www.mashvisor.com/blog/buying-investment-properties-san-francisco/>

What Is a Good ROI on a Rental Property?

<https://homeguides.sfgate.com/good-roi-rental-property-94786.html>

How rising rents contribute to homelessness

https://www.vox.com/the-goods/2018/12/14/18131047/homelessness-rent-burden-study?fbclid=IwAR2fkuQHR_L6BYbGiE-GhYMBcWyYMA1dSgdmgOjXuSyfHpo1wRfCZLbA4hU

In expensive cities, rents fall for the rich — but rise for the poor

https://www.washingtonpost.com/business/economy/in-expensive-cities-rents-fall-for-the-rich--but-rise-for-the-poor/2018/08/05/a16e5962-96a4-11e8-80e1-00e80e1fdf43_story.html?noredirect=on&silverid=MzQ1NDU0NjQ1NjY4S0&utm_source=citylab-daily&utm_term=.94b133f97b42

And just for fun: Academic takes on Vancouver’s housing-supply ‘myth’

<https://www.theglobeandmail.com/real-estate/vancouver/academic-takes-on-vancouvers-housing-supply-myth/article37015584/>