

February 4, 2019

Re: SB 0608

Honorable Senators,

My name is Charles Rorive. I am a licensed Principal Real Estate Broker, Property Manager and Tenant in Grants Pass. I am writing this letter in testimony to the bill you are considering passing. I and my clients understand the reason you are seeking to pass this bill and agree wholeheartedly that the rental situation in the entire state is rather dire.

However, prior to making your final decision and casting your vote for the bill in its current state, we ask that you revisit the cause of the rental crisis prior to simply attempting to remedy some of the symptoms:

Rental rates are driven by market conditions, when there is a shortage of available rental units and a high demand, rents go up. However, when the rental supply exceeds the demand, the rates go back down. This is basic market economics, the Law of Supply and Demand. If you would remember starting in about 2005-2006 when the recession was starting, we had an excess of homes available to rent. At that time, rents ended up dropping (an average of 20% locally). Then in 2014, when we had an influx of people into the state, rentals became scarce and rental rates began to climb, ending where they are today... Imposing a cap on the rental rates is trying to "force" the market; historically this has proven to be ineffectual and actually detrimental to the market over time. The answer, following basic economic principles, is not to place a cap on rental rates, but rather to increase the rental supply.

Also, before you vote in favor of this bill in its current iteration, I humbly ask that you consider the following

- As a Principal Broker, I have spoken with many of my clients who are considering the purchase of investment properties, primarily single-family homes. Discussing with them the potential implications of this bill has caused them to choose to wait before completing these purchases. As they have mentioned, since most of the properties that make sense to purchase as an investment/rental are older than 15 years of age, they would be subject to the terms of this bill. In that case, purchasing those properties would not make financial sense and they will look into purchasing in another state.
- Also, as a Principal Broker, I have spoken with the financial lenders in this area asking them how the "No Cause" clause of this bill would affect their lending practices. I was informed that the lenders would not change their requirements of buyers needing to occupy homes within 60 days of the close of escrow. This means that sellers of property will need to be willing to wait for longer escrows to account for providing tenants with the proper notices to vacate, since buyers will most likely not be willing or knowledgeable enough to accept the tenants at close of escrow.

- As a Property Manager, my landlords are voicing their concerns about the rent control aspect of this bill. None of these landlords have raised their rents remotely close to 7% annually, so are not concerned by that %. However, they are concerned about the passing of rent control itself. As several have mentioned, the hard part is passing a rent control bill. The easy part is lowering the annual % once the bill is passed. They realistically foresee a decrease in the % allowed to the point where it would no longer make financial sense to own rental properties. Again, the primary reason for their concerns is that the vast majority of rental properties in the area are older than 15 years of age and would be subject to the restrictions of the bill.
- Finally, as a tenant, I can personally see the potential advantages and disadvantages of SB 0608 passing in its current iteration: my rents would not go up more than 7% +cpi per year and since I've been renting at the same location for 10 years, I would no longer be subject to a "No Cause" eviction notice. However, I must inform you that my rent has never gone up by an amount close to 7% annually. From the time I moved in ten years ago, until today, my rent has gone up a total of 30%; allowing for the 7% annually under this bill it would have increased about 100% from what it was when I moved in. Also, my landlord has only raised our rents in order to pay for the increase in property taxes and insurance for the property, not an increase in profit margins.

Please Honorable Senators, take another look at this bill. The idea and goals are fantastic and much needed. However, I do not believe that this bill will provide the desired results.

Sincerely,

A handwritten signature in blue ink, appearing to read "Charles Rorive". The signature is fluid and cursive, with a long horizontal stroke at the end.

Charles Rorive - Principal Broker