

To: Oregon Senate
RE: SB 608
Date: February 4, 2019

Hello,

I am an individual landlord of a house, several duplexes, and a 9-unit in Portland, Oregon.

I follow the law, am reasonable and fair to residents and am 100% committed to fair housing. I have only ever evicted drug addicts who did not pay their rent.

In the housing crisis, everyone has to give a little. Landlords, property managers, and the construction industry. **Please see interview with a small property owner in Oakland on how tenant relocation payments punish landlords and do not solve the housing crisis, the East Bay Rental Housing Association, EBRHA, <https://www.ebrha.com/meet-local-housing-providers-ann/>**



[Meet Local Housing Providers - Ann | EBRHA](#)

"The original purpose of the rent control program was to enable renters to feel secure so that they would not be subject to large and unreasonable rent increases. But, it goes too far when it makes rent-controlled rental property owners the scapegoats for problems caused by a shortage of ho ...

www.ebrha.com

What is shocking about SB 608 is that the Portland Development Commission (PDC), the policy of urban renewal, and builders and developers built and built in Portland and created **zero affordable housing**. **Please see attached article from the Willamette Week on Nick Fish on how building luxury apartments does not solve the housing crisis in Portland**. Rent control protects tenants who've been in their apartment the longest--it does nothing to help solve the housing crisis and just benefits people who've rented for a long time.

I grew up in San Francisco, where rent control, protections for tenants and relocation payments have been alive and well for almost twenty years.

Relocation payments are so problematic that many property owners in SF, if they can afford it, let their apartments stay vacant because of the risk of relocation payments and now having to pay for an attorney for residents if it's an owner move-in (that is, they or their children want to move in to an apartment they own).

The solution to the housing crisis is to enforce inclusionary zoning on all new and in-process multi-family buildings in Portland. No more builder buy-outs. If they are going to build an apartment building in Portland metro, they have to have 15% set aside for BMR (below market rate) or BMI (below median income) individuals. Creating more units of affordable housing will help solve the shortage of housing.

Landlords should not be the only ones penalized and absorbing the brunt of the housing crisis. Builders and the construction industry have to make a contribution and this means inclusionary zoning.

You will contribute to the housing crisis with SB 608. There will be more homeless, as housing becomes more expensive.

1. Please see article from East Bay Rental Housing Association, EBRHA.
2. Please see article on lawsuit on relocation payments in Oakland, CA where active duty service members were deployed, rented their home, and were forced to pay relocation payments upon their return from active duty. They are suing that the Oakland relocation payment is a form of takings.
3. Willamette Week March 15, 2018 by Rachel Monahan, *Portland City Commissioner Nick Fish Doubles Down on his Argument that more High-end Housing Supply Doesn't Ease Demand*,

4. Please see April 2018 Research Briefs in Economic Policy, *The Effects of Rent Control Expansion on Tenants, Landlords, and Inequality, Evidence from San Francisco*, from researchers at Stanford University, Harvard University, and the Cato Institute included in the body of this email. about how 20 years of relocation payments have only contributed, not solved, the housing and affordability crisis in San Francisco.

Sincerely,

Cupressus LLC
Portland, OR

1.

Meet Local Housing Providers – Ann



Name: Ann

How long have you owned rental property? 6 Years

How many units do you own? 24 units

What neighborhood? Laurel District in Oakland

Owner/occupied? No

What do you like most about owning property in Oakland? It's near my personal residence.

How would you describe your relationship with your renters? Professional

What concerns you most about the renter-proposed initiatives being considered in Oakland?

They're all outrageous. They do not address the core problem, which is a shortage of units in the Bay Area. I have no interest, as an individual, in being perceived as the person responsible for subsidizing a renter's housing needs because of the housing shortage, and that is exactly what renters are expecting of me personally.

What is the most difficult part about being a property owner in the city? The Rent Adjustment Program in its entirety.

Any other comments? I think that the public needs to be educated to the fact that rent-controlled rental property owners are being unjustly singled out. They own approximately 56% of the rental housing stock, and the renter-proposed initiatives being considered by Oakland do nothing to control rent for the other 44% of the city's housing stock. Rent-controlled property owners own rental buildings built before 1983, and they are forced to defer maintenance because of low rents. The non-rent-controlled buildings are newer and can afford to keep up with maintenance. The original purpose of the rent control program was to enable renters to feel secure so that they would not be subject to large and unreasonable rent increases. But, it goes too far when it makes rent-controlled rental property owners the scapegoats for problems caused by a shortage of housing. The CPI rent increase allowed by rent control is not a true rent increase, it merely attempts to keep up with cost of living increases and inflation, and doesn't account for repairs and maintenance. The mom-and-pop rental operations are being squeezed out of business because of low rent-controlled rents, and are being forced to sell to larger property owners and corporations. In order to be a successful property owner in Oakland you need to own multiple buildings, with a mix of rent-controlled and non-rent-controlled buildings so that costs can be spread out, and a reasonable return can be brought in by the non-rent controlled-units.

“The original purpose of the rent control program was to enable renters to feel secure so that they would not be subject to large and unreasonable rent increases. But, it goes too far when it makes rent-controlled rental property owners the scapegoats for problems caused by a shortage of housing.”

2. Oakland Owners Challenge Constitutionality of Relocation Payments

Bornstein Law.com

December 2018

There are tenants with many horror stories to tell about irresponsible landlords and the menagerie of shocking abuses are often plastered in the headlines. It's much rarer, however, to see stories of landlords being abused, and so we were interested to come across the [plight of these Oakland homeowners](#) who were on active duty in the Air Force.

That duty called when the couple was temporarily stationed in Maryland, and so they rented out their home on a month-to-month basis to tech service tenants. When it was time to come back home after their assignment was complete, however, the service members with two young children were forced to pay nearly \$7,000 in relocation payments because of Oakland's Uniform Residential Tenant Relocation Ordinance, a law we [chimed in on here](#).

The law took effect in January and is intended to help tenants who are displaced when property owners want to take their property off the rental market so that they or a relative can live there. Owners can turn out tenants only if relocation fees – \$6,875.58 – \$10,445.60 depending on the type of unit – regardless of the tenants' income or if they actually use the funds to relocate. An additional payment of \$2,500 is due for families of lower income, containing elderly individuals and/or minor children. Further, the relocation payments will increase on a yearly basis.

*The Oakland couple has now attacked the ordinance in a federal lawsuit filed against the city. *Ballinger v. City of Oakland* alleges the law is not only misguided but violates the owner's Fifth Amendment's Takings and Public Use Clauses, as well as due process.*

The plaintiffs' attorney, Meriem Hubbard, explains why the ordinance doesn't pass constitutional muster.

Our takes

Relocation payments have been judicially challenged before. [In an earlier post](#), we noted that courts have likened unreasonable relocation payments to "ransom." This is, however, the first time we've seen a tenant relocation scheme attacked on constitutional grounds in federal court. If the plaintiffs prevail, it would have some interesting implications in unraveling other ordinances, though the facts of this case are a bit unusual because the property owners are in the service.



A higher loyalty than rent ordinances?

It will be interesting to see whether the court gives some sort of deference to military service members who are also landlords when an order comes down for them to relocate elsewhere, whether from California to Maryland or being deployed oceans away.

The law has given preferential treatment to tenants when duty calls – although tenants cannot prematurely break their lease in ordinary circumstances, [we explained earlier](#) that an exception has been carved out for military personnel, a group who can end their leases without penalty if certain criteria are met. Will the same latitude be given to service members who own a rental property? Will armed forces members be absolved of doling out relocation payments?

If so, two “protected” classes would be pitted against each other – one the outgoing tenant and the other, the property owner, ironically both relocated.

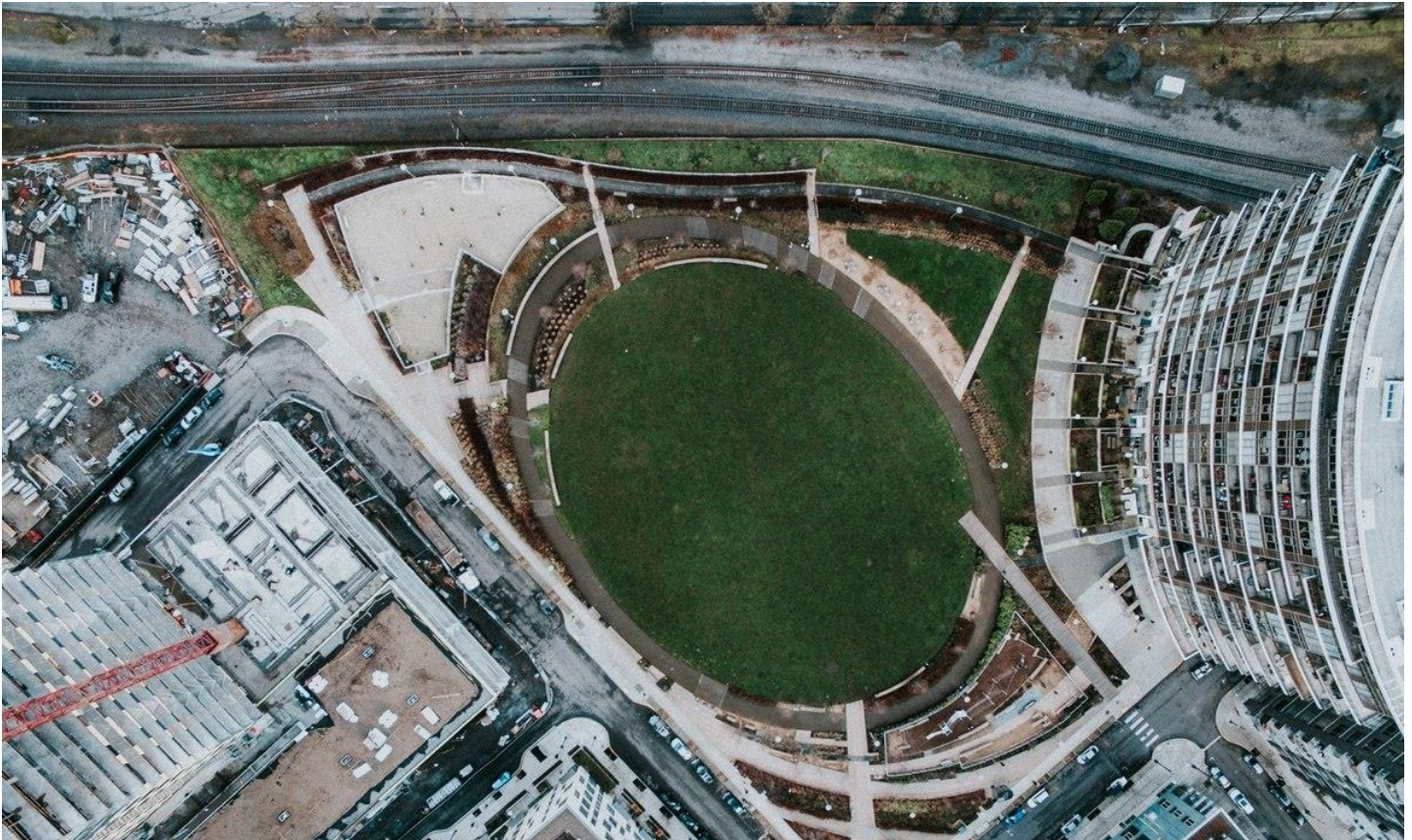
A rising movement

Although the Bay Area has arguably been the biggest laboratory of tenant protection measures, they have been exported elsewhere. [Portland has pushed the envelope](#) when it comes to relocation payments and its ordinance, too, is being challenged in court by landlords who say they are stymied by the draconian ordinance. Calls for expanded relocation assistance payments have been spreading in tandem with rising costs of living and a sense of unfairness that tenants reenter a merciless rental market, yet the case at hand illustrates that owners have hardships of their own. In the debate for relocation payments, owners are often mischaracterized as greed-fueled landlords whose immoral acts have fomented a homeless crisis, when in fact, mom and pop rental property owners are good stewards who treat their tenants with respect and provide cities like Oakland with its largest segment of safe, clean and affordable rental housing. They also are saddled with already high and steadily rising costs, just like everyone else.

We love [this piece by the EBRHA](#) that puts a human element on several landlords whose voices go unheard in the fevered pitch for tenant relocation payments.

Portland City Commissioner Nick Fish Doubles Down on His Argument That More High-End Housing Supply Doesn't Ease Demand

Portland City Council has for two years declared a housing emergency, but there's still a question of whether commissioners have the will to address it.



Residents of Pearl District condos fear a new development will block views of the Fremont Bridge from their windows and Fields Park. (Abby Gordon)

[By Rachel Monahan](#) |

Published March 15, 2018

Updated March 16, 2018

On March 7, Commissioner Nick Fish led the Portland City Council in its unanimous vote to block a development project.

It was the first time in 12 years the City Council had completely overturned an approval from Design Commission, an all-volunteer panel that signs off on big projects.

[*Related: Economists Say a Portland City Council Rejection of New Housing Sends Dangerous Signals*](#)

Fish, who is up for reelection, sided with a chorus of Portlanders who argue that the city need not foster private-sector development to address the city's rent increases. (For some of the neighbors, that's a self-serving argument in favor of views from their own condos.)

[*Related: A Fight Over The Height of Portland's Skyline is Raging. Who Wins May Determine Whether The City's Housing Crisis Ever Ends.*](#)

And yesterday, in the midst of Council deliberations about extending a tax break to private developers in exchange for affordable housing, Fish took a moment to double down on the argument against fostering private-sector development—that building high-end apartments doesn't help those most impacted by Portland's rent increase.

"There is a view that is getting some traction in the media," says Fish. "I call it 'trickle down housing,' and the idea is that ... if we continue to have 95 percent or more of our housing at the luxury level, that we will over time be a benefit to those people shut out of the market."

City Commissioner Nick Fish (at right).

Fish [told the Oregonian that in his remarks](#), which were [flagged on Twitter](#) by the O's housing reporter Elliot Njus, he wasn't specifically referring to coverage of his vote to block the Fremont Place Apartments, the 17-story, 275-unit building.

Regardless of his precise inspiration, Fish made the wider case for why that vote against private-sector development wasn't important, even as economists and business leaders express alarm. (One architect told WW that developers are weighing canceling local projects.)

[Related: Economists Say a Portland City Council Rejection of New Housing Sends Dangerous Signals](#)

"If you take the logic of what some economists have said," Fish said. "what they're really saying is the person who can't find a luxury apartments to live in, is going to go out to 158th and Powell and displace someone who is a low-income unit run by Joe Weston. That is so preposterous on its face, that it is not worthy of our discussion."

Fish, a consummate public speaker, is erecting a bit of a straw man here.

WW hasn't found anyone who argues that the Portland resident who is seeking to live in the most expensive housing (say, the Pearl, where the Fremont Place Apartment might be built if Council doesn't continue block the project) would next choose to move to the least expensive neighborhoods (the sections of East Portland commonly called the Numbers) if that person couldn't find any apartment.

Instead, economists argue that shrinking high-end supply creates a domino effect.

Economist Joe Cortright puts it bluntly.

"In my opinion, Commissioner Fish is just wrong about how housing markets like Portland's work," Cortright emails. "All the parts of the the housing market are connected. If there isn't enough supply at the top end of the market, those people don't go away, they bid for other housing. Folks that would have gone to Fremont Place bid up other Pearl and NW Portland units, and probably bid up stuff on the close-in East Side as well, that pushes down vacancies and pushes up rents there. People that would have been in Sunnyside or Hosford or Sellwood or Kenton move further out. Eventually, that even shows up in the rents on older apartments in outer Southeast."

"That's exactly what happened between 2010 and 2015, when the number of new apartments completed fell dramatically because of the recession, while at the same time, more and more people moved here," Cortright adds.

"That's why Commissioner Fish heard all about rent increases and no-fault evictions."

When WW asked Cortright to respond to Fish's criticism of economists, he responded with a detailed case. We've excerpted it below, for those readers looking to understand economists' arguments about supply and demand.

Most notably, Cortright estimates that according to one economic study, Fish will need come up with 130 units of affordable housing to make up for the economic impact of blocking 275 units of housing on less well-off Portlanders.

Here's the rest of Cortright's email:

The past five years wasn't some random epidemic of greed; it was because we had a shortage of new housing, and in the face of rising demand, higher income people outbid lower income people for a slowly growing housing stock. We've lived through history that simply proves [Fish] wrong.

Also: Virtually everyone agrees that more market rate housing reduces rent increases and reduces displacement. Don't take my word for it: Even the most liberal academics agree. Miriam Zuk and Karen Chapple run the Urban Displacement Project at the University of California, Berkeley: Their estimates show that adding two market rate apartments have about the same effect on displacement rates as building one unit of public housing. See discussion here:

<http://cityobservatory.org/the-end-of-the-housing-supply-debate-maybe/>

Based on that estimate, to make up for the displacement effect of NOT building Fremont Place, Commissioner Fish is going to have to come up with something like 130 units of affordable housing. Those are currently running in the range of \$300K (and up), so that's like \$40 million worth of affordable housing you would have to build to offset the displacement from not building Fremont Place.

Rent increases in Portland have dropped from double digits a year and a half ago to negative today. The reason that has happened is because so much more market rate housing has become available in the past 12 months. And that's producing vacancies all over town, and not just in high income properties, but in the existing older apartment housing stock.

<http://cityobservatory.org/signs-of-the-times/>

In fact, the process of filtering in the housing market is how nearly all affordable housing gets built. Most housing gets built, at least initially, for middle and upper income households. As it ages, it becomes less desirable, and the original tenants move on, and the newer tenants typically are lower in the income spectrum.

<http://cityobservatory.org/how-luxury-housing-becomes-affordable/>

In effect, the housing market works like a game of musical chairs: If there aren't enough chairs, then some people get pushed out. In musical chairs, it's the slow. In housing, it's the poor. For a non-technical explanation of how this works, see this [great infographic from Sightline Institute](#).

But this process of filtering doesn't happen when you block the construction of new housing. If there aren't enough new chairs added to the game, rich people end up in smaller, older chairs (houses) and the poor face shortages, rising rents and eviction. That's why in some places the 1950s era ranch home is the affordable housing stock in a metro area, and why in other places (like the Bay Area and LA), tiny, aging ranch houses can command \$1 million or more.

4. The Effects of Rent Control Expansion on Tenants, Landlords and Income Inequality. Evidence San Francisco

Research Briefs

IN ECONOMIC POLICY

The Effects of Rent Control Expansion on Tenants, Landlords, and Inequality

Evidence from San Francisco

By Rebecca Diamond, Timothy McQuade, and Franklin Qian, Stanford University

S

steadily rising housing rents in many of the United States' large, productive cities have brought the issue of affordable housing to the forefront of the policy debate and reignited the discussion over enacting rent control provisions. State lawmakers in Illinois, Oregon, and California are considering stay in neighborhoods they have lived in for many years and in which they feel invested.

Using a unique 1994 local San Francisco ballot initiative, we find tenants covered by rent control do place a substantial value on the benefit, as revealed by their migration patterns. However, landlords of properties impacted by the law change respond over the long term by substituting to other types of real estate, in particular by converting to condos and redeveloping buildings so as to exempt their properties from rent control. This substitution toward owner-occupied and high-end new construction rental housing likely fueled the gentrification of San Francisco, as these types of properties cater to higher-income individuals. Indeed, the combination of more gentrification and helping rent-controlled tenants remain in San Francisco has led to a higher level of income inequality in the city overall.

repealing laws that limit cities' ability to pass or expand rent control. Already extremely popular in the San Francisco Bay Area (where seven cities have imposed rent control regulations), rent control measures were put on the November 2016 ballot in five additional Bay Area cities, and two measures passed. Rent control in the Bay Area consists of regulated price increases within the duration of a tenancy, but no price restrictions between tenants. Rent control also places restrictions on evictions.

A substantial body of economic research has warned about potential negative efficiency consequences to limiting rent increases below market rates, including overconsumption of housing by tenants of rent-controlled apartments, misallocation of heterogeneous housing to heterogeneous tenants, negative spillovers onto neighboring housing, and

Editor, Jeffrey Miron, Harvard University and Cato Institute

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The 1994 San Francisco ballot initiative created rent control protections for small multifamily housing built prior to 1980. This led to rent control expansion based on whether the multifamily housing was built prior to or post-1980. To examine rent control's effects on tenant migration and neighborhood choices, we use address-level migration decisions and housing characteristics of adults living in San Francisco in the early 1990s. We define our

treatment group as renters living in small apartment buildings built prior to 1980 and our control group as renters living in small multifamily housing built between 1980 and 1990. Using our data, we follow each of these groups over time up until the present, regardless of where they migrate to.

On average, we find that in the medium to long term, the beneficiaries of rent control are between 10 percent and 20 percent more likely to remain at their 1994 address relative to the control group. These effects are significantly stronger among older households and among households that have already spent a number of years at the same address. This is consistent with the fact that both of these populations are less mobile in general, allowing them to accrue greater insurance benefits.

On the other hand, for households with only a few years at a rent-controlled address, the impact of rent control can be negative. Perhaps even more surprisingly, the impact is only negative in census tracts that had the highest rate of ex-post rent appreciation. This evidence suggests that landlords actively try to remove their tenants in those areas where the reward for resetting to market rents is greatest. In practice, landlords have a few possible ways of removing tenants. First, landlords could move into the property themselves, known as move-in eviction. The Ellis Act also allows landlords to evict tenants if they intend to remove the property from the rental market, for instance, in order to convert the units to condos. Finally, landlords are legally allowed to offer their tenants monetary compensation for leaving. In practice, these transfer payments from landlords are quite common and can be quite large. Moreover, consistent with the empirical evidence, it seems likely that landlords would be most successful at removing tenants with the least built-up neighborhood capital—that is, tenants who have not lived in the neighborhood for long.

To understand the impact of rent control on rental supply, we merge historical parcel data from the San Francisco Assessor's Office, which allows us to observe parcel splits and condo conversions. We find that rent-controlled buildings were almost 10 percent more likely to convert to a condo or a tenancy in common than buildings in the control group, representing a substantial reduction in the supply of rental housing. Consistent with these findings, we also find a 15 percent decline in the number of renters living in these buildings and a 25 percent reduction in the number of renters living in rent-controlled units compared to the control group, relative to 1994 levels. This gap is driven by landlords demolishing their old housing and building new rental housing. New construction is exempt from rent control.

In order to evaluate the welfare impacts of these effects, we construct and estimate a model of neighborhood choice. We find that rent control offered large benefits to impacted tenants during the 1995–2012 period, averaging between \$2,300 and \$6,600 per person each year, with aggregate benefits totaling over \$214 million annually and \$2.9 billion in present discounted value terms. These effects are counterbalanced by landlords reducing supply in response to the introduction of the law. We conclude that this led to a citywide rent increase of 5.1 percent. This has a present discounted cost of \$2.9 billion dollars to tenants. Further, we find 42 percent of these losses are paid by future residents of San Francisco, while incumbent residents at the time of the law change bear the other 58 percent. On net, incumbent San Francisco residents appear to come out ahead, but this is at the great expense of welfare losses from future inhabitants. These substantial welfare losses due to decreased housing supply might be mitigated if insurance against large rent increases was provided as a form of government social insurance, instead of a regulated mandate on landlords.

NOTE:

This research brief is based on Rebecca Diamond, Timothy McQuade, and Franklin Qian, "The Effects of Rent Control Expansion on Tenants, Landlords, and Inequality: Evidence from San Francisco," National Bureau of Economic Research Working Paper no. 24181, January 2018, <http://www.nber.org/papers/w24181>.

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