



Testimony in Support of Senate Bill 608
House Committee on Human Services and Housing

Speaker of the House Tina Kotek
February 18, 2019

Chair Keny-Guyer and members of the committee, thank you for the opportunity to testify this afternoon in support of Senate Bill 608.

Oregon has a housing crisis, and it's a crisis with consequential effects – from an ever-growing tide of individuals experiencing homelessness to substantial barriers to home ownership that keep people from building wealth – and everything in between those two ends of the spectrum.

Today's conversation is about predictability and stability for tenants so they can plan for their futures. Our neighbors who experience extreme unexpected rent increases or no-cause evictions have their whole lives suddenly disrupted. Their kids may have to switch schools mid-year, and with increasingly limited affordable housing options, their search for an available, affordable place to move to will likely be extremely difficult or even impossible.

This legislative session, both chambers of this body are committed to having a serious conversation about how we need to fund our schools to ensure that students have the greatest opportunity to be successful. However, Oregon has the highest rate of homeless children and youth in the country. We cannot reasonably expect our students to perform to the best of their abilities if they don't know where they are sleeping that night. Stable housing is the foundation of student success.

I often hear that the answer is simply supply. We just need more housing, both affordable and market rate, to meet the growing demand.

Of course, we need more supply. No one disputes that. Many of us are working hard to help make sure more housing is built, as well as preserve the affordable housing stock that currently exists.

However, it would be dishonest to talk only about supply.

While a shortage of supply is one element of this problem, we cannot and should not simply believe that we can build our way out of this crisis. It is a crisis – it is immediate, it is upon us, it is statewide and people are losing their housing every day. Oregonians cannot afford to wait another year while the supply improves and rent increases begin to slow down. They are losing their housing now. As elected leaders, we cannot stand by while our communities become more economically segregated, people’s lives are unfairly disrupted, and essential stability is harder and harder to achieve.

People need stability and predictability to thrive. The current rental market is failing too many Oregonians when it comes to stability and predictability. And it will not get better unless we act.

Oregon needs Senate Bill 608, which will provide a fairer system for our state.

Senate Bill 608 prohibits no-cause evictions and requires that landlords provide a reason for not renewing a lease after 12-months of a tenancy. By banning “no cause” evictions and requiring landlords to state a reason for evicting their tenants, we can ensure that termination notices are not used to discriminate, retaliate, or facilitate economic evictions.

The bill also protects people by preventing extreme rent increases. It allows landlords to set their rents according to market at the beginning of a tenancy and between new tenancies. It exempts new construction from rent stabilization for a period of 15 years to ensure that new construction is not deterred.

The rent regulation proposal in this bill is not your grandparents’ rent control, so the old arguments that opponents of this bill are dusting off are about an obsolete policy and do not apply to the solution we are proposing. You will undoubtedly hear many of those recycled arguments today, thus I would like to enter into the record a few statements from economists that dispel some of the entrenched myths about the impacts of policies like the one being proposed today:

- After reviewing the literature on the impact of rent stabilization on maintenance of housing, economist Edgar Olsen said: “...there is no basis for economists' strongly-held belief that rent control leads to worse maintenance.”¹
- After reviewing the economic and empirical literature on rent stabilization, economist Anthony Downs said: “Almost all empirical studies of the effects of rent controls upon new building of rental units involve temperate rent control ordinances.... However, none

¹ Edgar Olsen, *What Do Economists Know About the Effect of Rent Control on Housing Maintenance*, Journal of Real Estate Finance and Economics, 1: pg. 295, 1988.

provides any persuasive evidence that temperate rent control ordinances inhibit the new construction of rental housing, a hypothesis that much be regarded as unproven.”²

- A literature review by the Harvard Law Review found that: “Most of the economic criticisms are mistaken or are accurate only when applied to rudimentary forms of rent control or to rent control in a non-gentrifying market. In a gentrifying market, however, Rent Control will not lead to abandonment, conversion, or inadequate maintenance. Nor will it lead to a decrease in future construction. Whether Rent Control's allocation of space and capital is more or less efficient than in the non-rent-controlled market is impossible to determine, given the inefficiency of both markets. Which housing regime maximizes wealth is also indeterminate without further empirical work. Indeed, in a gentrifying market Rent Control may increase construction of new housing, provide greater incentives to maintain rental property adequately, and ensure the continued vitality and cohesiveness of urban neighborhoods. Moreover, Rent Control will reduce social costs associated with poverty and homelessness, including the costs of welfare programs, shelters, and medical care.”³

Further studies show that modern rent stabilization programs effectively prevent displacement without having negative consequences for new supply and maintenance of housing.

If Oregon is to grow and thrive, Oregonians need stability and predictability. And that means housing they can count on. Please support Senate Bill 608 and the remedies it provides.

Thank you for your attention to this important issue.

² Anthony Downs, *Residential Rent Controls: An Evaluation*, The Urban Land Institute, pg 18-19, 1988.

³ “Reassessing Rent Control: Its Economic Impact in a Gentrifying Housing Market.” Harvard Law Review, vol. 101, no. 8, 1988, pp. 1835–1855. JSTOR, www.jstor.org/stable/1341438.