

Submitter: Doug Burges

On Behalf Of:

Committee: Senate Committee On Housing and Development

Measure: SB611

I live in Portland and lead real estate development and construction activities throughout Oregon for Greystar - the country's number one developer, builder, and manager of multifamily housing. Please vote NO on SB 611. This is absolutely critical to maintaining and attracting new investment in housing. Rent control and the new construction exemption are - along with homelessness - the biggest concerns investors express when we are sourcing financing for our housing projects in Oregon.

To ensure adequate housing production and that housing producers are ready to compete for limited capital, Oregon lawmakers must prioritize certainty and stability in our regulations. Investors and developers count on consistent regulations, which minimize risk and help attract capital. Changing Oregon's rent stabilization framework after just four years moves the goal posts and sends the wrong message—that Oregon is a risky place to invest. Moreover, while Oregon's current rent stabilization framework allows for up to a 14.6% increase, most tenants are not seeing rent increases at the high end of this range. In fact, the current average rent increase in the Portland metro region 2.8% (per CoStar – Multi-Family Market report 03/2023) - much less than inflation. Protecting against prolonged and/or hyperinflation is also paramount for any investment and hence the importance of the CPI component of the calculation.

Furthermore, continuation of the 15-year exemption for new construction is critical. The 15-year exemption covers: 1) the development/construction and riskiest investment period of a building, 2) the building's first sale, 3) and the new buyer's initial "hold" period. Financing for multifamily comes from major institutional investors, most prominently, teacher and public employee retirement funds. Investors and equity partners must agree to finance the project with acceptable rates of return that are driven by expenses and expected rental income. The 15-year exemption provides parity with competing housing markets' exemptions. Simply put, an exception that's shorter than the current standard of 15 or more years will put Oregon at a disadvantage to neighboring states — increasing the risks associated with our housing market and discouraging capital investment.

Lastly, I commend the Governor's bold housing plan and the Legislature's swift action. Please consider the unintended consequences of rent control - even as personal and emotional an issue it is to many Oregonians. We caution the Legislature to take a measured approach during this period of record inflation — do not overcorrect and override a rent stability framework that is keeping average rent increases well below inflation.