



March 26, 2023

RE: Senate Bill 611

To Whom it May Concern:

My name is Sarah Zahn and I am the Chief Operating Officer at Urban Development Partners in Portland, OR. I am also the current Board Chair for Oregon Smart Growth.

Urban Development Partners has been working in Oregon for over 16 years, primarily in the development of new, urban, multifamily projects located in the greater Portland area. Our organization raises capital from local and regional high net worth individuals and we also occasionally partner with larger institutional capital to deliver our projects.

I am writing today in opposition of SB 611. Research has shown that rent caps discourage new housing development and investment. This results from rent regulation creating an unfavorable investment environment because investors perceive rent caps as a risk that can reduce the potential return on an investment – at a time when projects are already very difficult to underwrite and capitalize, this is a dangerous additional challenge for the market. We are also particularly concerned by the reduction or elimination of the exemption for new construction. Investors and financial institutions make investments based on the ability of developers to provide a certain return or service their debt, and price restrictions placed too early on a new building severely limit investment potential.

Our firm is already faced with many challenging headwinds in continuing to produce much-needed housing in our region – including an already difficult capital market, regulations at the local level that drive costs and uncertainty, and construction costs that have been far outpacing rents and even inflation. If we continue to see challenges such as rent caps further restrict our work, we may end up leaving Oregon altogether.

In sum, while tightening the rent cap and reducing the exemption period for new construction under SB 611 may seem like a quick solution to rising housing costs, the unintended consequences can create long-term damage to the housing market, including a decrease in affordable housing options. Policymakers and housing advocates should consider alternative approaches that prioritize increasing the supply of affordable housing, such as tax incentives for developers, subsidies for low-income households, and zoning changes that allow for denser housing development. Understanding these effects is critical to developing effective policies that promote affordability and access to housing for all.

Sincerely,
Sarah Zahn

