

Honorable Senators  
 Re: SB 611 Draft

## Why Oregon Hates Small Landlords

The draft rent control law, benefits large landlords, LLs, at the expense of small because small landlords, SLs, generally rent their units below the Fair Market Rent, but large landlords rent above the FMR; remember, the FMR is rent plus utilities. As a small landlord with five rental units, in three properties; all my rents are on average 23.7%, or \$334 below the 2023 E/S-metro FMR, see table.

(rents / % of FMR )		Three 2 bedrooms		two 4bedrooms	
\$1025 / -31.6%	\$1099 / -22.7%,	\$1099 / -22.7%,	\$1249 / -8%	\$1700 / -35.2%	\$1900 / -20.9%

In good conscious, as a human being, I can't raise rents on tenants I want to keep, even though the Fed tries to peg inflation at 3%. At the recent (March) City of Eugene testimony on their draft rent control ordinance, one tenant of a large landlord (Bell) alledged that tenants are (evicted, told to leave, forced to vacate, pick your verb) at eleven months -- but would be placed into another similar unit in the same building, as a way to get around any one-year effective rent control regulations. Thus, LLs are benefited and rewarded by rent control they can avoid by playing musical chairs with their tenants, rents, units, and tenants knowledge; while SLs are hamstrung by and penalized by such regulations, for lack of such surfeit of units. Similarly, the three year, new construction reprieve of regulation is also a SLs penalty; SLs can't afford to build new buildings to disrupt their tenants lives, or to increase profitabiliy. The dichotomy of 12 months and the three year exemptions on rent control are reward / give-aways to multi-state, REITS, Tax-Exempts, Banks and other non in-state owner-entities that pay income taxes out side of Oregon.

Oregon's draft law punishes Small Landlords that contribute income taxes, and eventually, estate tax to Oregon, and instead gives out-of-state entities benefits SLs can't hope to achieve. On top of that, the Rental Relocation Assistance, is something that only hits SLs (at least it is not based on FMR as the Eugene Draft, a true double-whammy) because a REIT or Tax-Exempt is immortal, has no children to move-in, nor keeps its tenants longer than a year. They are only constrained, whoop-di-doo, by the maximum percentage increase, a compounding value. But, as they are already above the unaffordable FMR (see table) they will accelerate beyond it by their 11 month rent compounding rate, comensuratelly, below FMR SLs will accelerate below the FMR for similar reasons.

Table 1

Oregon 2023 Fair Market Rents, the hourly and yearly wages, required to achieve them and number of hours at minimum wage (\$13.50; median \$23.86) required to pay them:

(according to nilhc.com/https://nlihc.org/oor/state/or?)

Unit type	FMR	Hourly wage	Yearly wage	Hours at \$13.50
Zero-Bedroom	\$1,103	\$21.22/hr	\$44,132/yr	63 hrs

One-Bedroom	\$1,199	\$23.06/hr	\$47,973/yr	68 hrs
Two-Bedroom	\$1,438	\$27.65/hr	\$57,515/yr	82 hrs
Three-Bedroom	\$2,033	\$39.10/hr	\$81,330/yr	116 hrs
Four-Bedroom	\$2,418	\$46.49/hr	\$96,702/yr	138 hrs

One would expect that the FMR should be based on the minimum wage but it isn't, its based on the 40% of median of rents and utilities as compiled by HUD using rent industry data miners:

RealPage (formerly Axiometrics)	average effective rent per unit,
Moody's Analytics REIS	average market rent,
CoStar Group	average effective rent,
CoreLogic's	single-family combined 3-bedroom median rent,
ApartmentList	Rent Estimates,
Zillow	Observed Rent Index

We all know that these agencies don't work for the benefit of tenants and small landlords. Note also that three of these are labeled as 'averages' not medians, we know how the average rises as the range increases.

What is my point? SB 611 does not consider that there are really two classes of landlords. (Note that the Eugene draft ordinance also makes a false distinction by income for which I don't believe any landlord could qualify.

Instead the true distinction is FMR; there are:

*Small ('mom and pop') landlords (SLs) that*

rent below the FMR

seek tenants that want to rent forever.

avoid raising rent, knowing that tenants can't afford to pay (we're human, not evil)

tend to have buildings with fewer than four units

seek to hedge their life saving (against Fed unending ~3% inflationary monetary manipulation) through asset/property appreciation.

spend their rents in the community

pay their income taxes in state

repair their buildings to make them better

choose properties they want to live in.

and *Large landlords*; however, that

.rent above the FMR

.have live-in rent collectors who lose their abode if insubordinate

.export their profits out of state to low income tax regime states (or countries)

.seek ever increasing rents

.evict tenants after ~11 months, just to increase rent and avoid rent control laws

.tend to have multi-unit buildings

- .build new buildings to avoid rent restrictions
- .accelerate rent compounding and depreciation
- .are immortal, and will never pay estate tax
- .run their buildings into the ground
- .and will eventually (10years?) legally abandon them as slums when they are no longer livable.

So, what do the Honorable Senators of Oregon want, immortal, rapacious, foreign, fund scavengers that suck all money out of Oregon's economy, thus depressing wages, while inflating rents, and making tenants' lives miserable? Or small landlords that know their tenants, know their tenants situation, attempt to ameliorate their tenants lives and homes, while spending in community, paying taxes in state, and providing shelter at a price tenants can afford. Why is it that Oregon lawmakers hate and punish Oregon's SLs and reward these evil foreign monster landlords. Perhaps, it is a failure to understand that the State of Oregon refuses to provide the housing that it delegates to landlords, or refuses to provide a decent wage to its citizens instead of relegating it to business).

Of course, Oregon can't effect that kind of change to their economy -- it is controlled by the Federal Reserve Bank that purposefully increases unemployment, increases inflation and periodically, every some ten years, tanks the economy so they can avoid their foreign debts, reward themselves, and their associated entities and assigns, as well as fund wars, for the stock companies they hold, etc. This isn't an Oregon problem, it is a national problem. All FMRs are above the ability of minimum to median wage worker to pay -- for a unit they can afford within 40 hours. This appears to be by design. Why Oregon's legislature doesn't apply pressure, through their party affiliation, nationally, is obviously not discussable, but there are potential solutions that don't destroy its tax base.

The SB 611's draft solution penalizes landlords for providing the shelter that the State Of Oregon refuses to provide by taking three month rent from them when tenants leave for a game-able "qualified landlord reason". Note that most of my tenants never pay their last months rent using their (repair tenant damage) security deposits, contrary to their contracts; and leave so as not to be evicted -- a good lawyer could game this as a 'qualified landlord reason'. A solution different from SB 611 has every tenant pay in to a state fund (skin in the game), from which they retrieve, at least, three months of FMR valued rent, or more if they put in more (interest?), when they leave the unit, regardless of reason. Another, and better, solution is penalize the behavior Oregon is trying to penalize: forced compounding rent increases by unscrupulous, immortal, fiduciarilly restrained Large Landlords. ---Without strength against the Federal Reserve Bank's anti-employee anti-human policies Oregon's draft SB 611 cannot assist tenants, and will hurt small landlords.

## **Suggestion**

So what to do? Divide all landlords into two groups, (the Oregon Department of Revenue has the data -- and names need not be applied)

Subject *landlords that charge below the FMR*, the SLs, to a separate, more humane, rent control regime. We are people, humans, not legal constructs. Perhaps a progressive rental relocation assistance that begins at three years; with an exemption that allows us to rebuild our properties if we unfortunately rent to destructive tenants, without penalizing us (we don't screen as severely as Lls, and screening is not a profit point). Or, perhaps a rental relocation assistance based on a progressive, one to three months of rent. Something that actually benefits both SLs and tenants and deters the greedy, or lazy.

While *landlords that charge above the FMR*, the LLs, that Oregon's draft SB 611 suggests it is trying to control but won't, should be required to:

1. Pay Rental Relocation Assistance at the rate of the tenants rent, as in the draft.
2. Regulate above FMR LLs' ability to 'evict', 'remove', 'vacate', etc., tenants that could not be evicted except for cause before 24 months.

(And here is the punch line)

3. Pay a progressive fee on the rent per unit such that, for every unit owned, the rate goes up by 0.05% for each unit rented. For example: for an above FMR landlord has ten units the fee would be  $10 * 0.05\% = 0.10\%$  on each rent paid, or for 50 units:  $50 * 0.05\% = 2.5\%$  on each rent paid (perhaps rate should be higher). These fees collected should be placed in a state fund that pays rental relocation which, for or without cause, tenants can apply for, with a SIMPLE FORM, to be reimbursed when they leave their present tenancy. Obviously, this will increase rents to a point but when the rate reaches 25% or 50% such unconscionable LLs will find it impossible to pay their mortgages, taxes and insurance and will have to sell or lower their aggregate rents to below the FMR.

What is the point of this? Isn't it onerous? NO, because the above FMR landlords are probably either tax-exempts, or REITs, Banks, or some other large multi- or out-of-state landlord that probably don't even pay state income tax. These are the leaches that prey on our Oregonian society (all societies), export their profits; build, then run their multi-unit properties into the ground and after fully depreciating them, now slums, sell, declare bankruptcy or tear down their buildings and build new ones that (according to your draft law) are exempt for three years from rent control. These entities are the partial cause (along with bankers) of inflation, of continually increasing rent, and all of society's problems.

Do the right thing, protect tenants, and small landlords from evil, immortal, out-of-state, ABOVE-FMR, REITS, Banks, Tax-Exempt, Large Landlords that suck the profit out of Oregon