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February 1, 2019

Dear Senator,

Our company owns and operates 9 entry-level, multi-family communities, a total of 996 units, in Oregon. We have apartment units in Wilsonville (164), Sherwood (76), Woodburn (334), Salem (180), Bend (96), and Newberg (140). We are also in the planning process to build 115 units in McMinnville. We have invested in Oregon by building and operating various multi-family communities since 1978, all in suburban cities. As providers of critically needed housing, we have some thoughts about the proposed legislation before you now. Please consider our input on rent stabilization and just cause vs. no stated cause terminations; as well as the real issue before us all, supply.

The proposal before the Oregon Senate must be reviewed and the unintended consequences of passing some form of SB608 need to be thoroughly examined before action is taken. This proposal will cause problems for both the residents and housing providers and will not solve our supply problems.

Rent stabilization can have the effect of lowering the vacancy rate and availability even more so than in a free market. In a free market, two people might both be looking for a one bedroom apartment. One person can spend \$1,000 and the other has \$650 to spend. The market rate is \$1,000; therefore there is only one qualified applicant. The other person has the option of pooling his/her monies with another and sharing a larger unit. Under rent control, the rent may be \$650; now all three people are qualified for the one bedroom leading all three to be looking for the same available apartment. This creates a housing shortage; this does not lead to additional supply and does not help our current housing crisis.

Rent control discourages construction of new rental units in the marketplace. Investors look for a return on the risk they are taking when developing or improving

housing communities. If the rate of return, partially reliant on the rents charged, is not strong enough, developers will take their money elsewhere; someplace where the ability to get their desired rate of return is greater. This leads to fewer units being built and put into the supply chain. Likewise, rent control significantly impacts the condition of rental housing in a negative way. If housing providers are limited in the ability to recover operational costs, they have to delay or reduce repairs and upgrades to existing communities. The quality of the apartment homes available for rent decreases year after year and may disappear from the marketplace altogether.

Our policy is to offer Month-to-Month contracts only. Over the years this niche has served our residents well. Many residents, for whatever reason, do not want to be locked in to a long-term lease. No cause termination is needed for month-to-month residents to give notice to their rental provider that they will be vacating the premise. In turn, providers may need to use the no cause termination when doing necessary repairs or improvements to a property or when selling a community. On occasion, a no cause notice may be used by a housing provider to terminate an agreement with a resident who presents a potential danger to other residents, neighbors, or the property. As a responsible housing provider, we do not use them for “no reason”; they are used for the renter who does not think that rules are for them or for the renter that jeopardizes the peaceful enjoyment and safety of those around them. As an example, we recently had a resident who intentionally started several fires in her unit. We were all fortunate that she did not kill somebody. For the continued well-being of the other residents in the building (11 other households), we did issue a no cause notice. If no cause terminations are eliminated, we would have to go to court to have problem residents, like her, removed. This will create a burden on the court system; cause many good residents to want to move quicker than we can get the bad renter out, placing further burden on our already low supply; and cause the evicted resident additional difficulty when renting in the future. Without the ability to get the bad resident to leave relatively quickly, we will implement different screening criteria. We will not “take a chance” on a first time renter or on someone who deserves a second chance. We cannot afford to take chances on one person that may disrupt the living environment or safety of several others. Additionally, forcing

providers to use For-cause notices also puts added burdens on good residents to document and “tell” on residents who are breaking the rules. Without an abundance of documented proof and eye witnesses that are willing and able to go to a court hearing, a rental provider will find it very difficult to get a resident that is causing problems for others out of the community. Again, this will not help get people into housing or provide additional housing. It will make it more difficult and expensive for everyone.

The housing providers are not the problem when it comes to our housing issues in Oregon; availability of land to build more housing units and provide more supply to the marketplace is everyone’s problem. As seen above, the “solutions” offered in SB608 will not “fix” the problems, but will actually make housing more difficult for everyone. The quality and quantity of housing in Oregon will go down and developers and investors will look elsewhere when determining where to use their dollars. As outlined by the Oregon Office of Economic Analysis in a report from December 2017, we need more housing not more regulations limiting housing. We all need to look for ways to find and zone land for further develop so developers can provide quality housing options for all levels of our State’s citizenry. We also need to streamline the overall approval and permitting process to be able to get communities on the open market quicker. We sincerely hope that you do not make a quick decision that leads to more regulations and issues than solutions.

Thank you for your consideration of these very important issues.

Sincerely,

Kim A McAvoy, Manager

KWDS, LLC

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