January 30 written testimony

Dear Chair Jama and members of the committee,

My name is Jeff Reingold and I thank you for this opportunity to share my thoughts with you regarding SB 799. I am CEO of IPM Co., a 49 year-old Oregon based firm specializing in real estate management. Our firm, and its affiliate, CRMG, manage approximately 17,000 residential units in Oregon and SW Washington. Our organization is also actively involved with Multifamily NW representing owners and managers of 270,000 residential apartments in Oregon – this is roughly 40 % of all residential apartment units in the State of Oregon.

Our industry has just endured one of the most challenging times in its history. Now, SB 799 threatens owners and managers with a replay of this difficult period. I urge you to table this bill for the following reasons:

1. **It discourages the production of much needed new housing.** First and foremost, the implementation of this bill will serve to speed the departure of housing providers from Oregon. As it is, providers with a national view are increasingly unwilling to invest in new construction in our state due to rising interest rates, increasing construction costs and an unfriendly regulatory environment. Implementation of SB 799 will serve to further encourage their departure from our market, thereby exacerbating our increasingly serious housing shortage.

2. **It is unsound and unreasonable public policy.** Implementation of this bill will allow ***any*** resident at ***any*** time to simply elect to not pay their rent for ***any*** reason <u>whether related to Covid or not</u>, pending receipt of rental assistance, which may or may not be granted. <u>**Note that there is no provision for housing providers, who will be owed an additional two months of rent if assistance is not granted, to be paid rent that they are clearly due.**</u> This is simply unreasonable. Housing providers, some of which are owners of increasingly rare single-family homes and small plexes simply cannot afford further losses with absolutely no guarantee that rents that are deferred will ever be repaid. This is simply the state taking revenue from housing providers ("leveraging" them if you will) against the ***possibility*** that these rents will be repaid at some future date. <u>**It is the responsibility of the state, not individual housing providers, to provide rental assistance if needed on a timely basis. This bill offers nothing to insure that deserving residents receive appropriate assistance.**</u>

3. **It is unpredictable and destabilizing.** Housing providers (and their lenders, vendors and suppliers as well as their employees) need a reasonable degree of predictability of the income stream of a property to pay its operating costs. Under this bill, at any time and in any number, residents can simply choose not to pay their rent for ***<u>any reason</u>***. How will providers operate their housing without knowing from month to month what their income will be or even whether income deferred in this manner will ever be recovered? In the meantime, all operating expenses, including site staff salaries, maintenance costs, property taxes, insurance and utilities will continue to accrue unabated.

4. **It repeats an unfair practice.** We've been down this road before with ill-advised and problem-plagued programs that did not fully and fairly compensate housing providers for lost rent. Do we really want to further erode the ability of our existing housing providers to offer good quality homes to our residents by forcing providers to do the job of the state in covering costs of those residents who cannot or will not pay their rent? Do we ask other providers of needed services such as food and medical care to "float" their costs for essentials while the state ponders whether to cover these costs?

We who are in the business of supplying and managing much needed housing want to provide our residents with the best housing possible. Legislating continued and escalating uncertainty into the equation is in no way helpful to that effort.

We all recognize that Governor Kotek has announced she wants to add 36,000 new housing units per year as part of her effort to address our housing shortage. At an average cost of approximately $400,000 per unit (a reasonable approximation based on current costs) the total needed will be $14,000,000,000 per year. Where will that money come from if we further disincentivize the production and financing of new housing?

It is clear that the anti-housing legislative climate here in Oregon has not gone unnoticed by providers of much needed capital to fund future housing development. It should not be surprising to see, as a result of this and other anti-housing legislation, increased capital requirements, higher interest rates to compensate lenders for their increased risk as well as more scrupulous underwriting of those housing projects that are proposed with increased costs the most likely outcome. Bad policy can reasonably be expected to have bad outcomes.

Thank you for your consideration of these thoughts and again, I urge that this bill be tabled.

Sincerely,

Jeff Reingold
CEO
Income Property Management Co.