

01/31/2023

To: Senate Housing & Development Committee Members and my Legislators

From: Jerry Mason Centro Property Management Co.

Re: Testimony Against SB 799

SUMMARY:

The relationship between residents and housing providers is not a zero-sum relationship. It works well for 98% of those in this mutually beneficial relationship.

However, when a resident doesn't stay true to their contract there is a loss to the housing provider such that they are less able to meet their contractual obligations to the other residents and the private capital that created or sustains the property.

- I. Residents want and contract for suitable stable housing. Housing providers want a contract with stable residents who respect the property and their neighbors and conform to the contract they both agreed to.

One of the few large expenses of operation that housing providers have much influence (not control) over is resident retention and how often units turn over. At the same time, they recognize that one of the things residents are buying is mobility.

As much as 90% of the rental income pays the monthly operating expenses that they have NO control over include property tax, insurance, utilities, payroll, regular maintenance, and the most substantial, mortgage payments. When monthly income doesn't cover these expenses, it affects the ability of the housing providers to maintain the property's benefits and contractual responsibilities to all the residents. A 2-month loss of rent on a single unit affects that unit's yearly income by 17%.

That loss is especially hard for the owners of small rental properties: Houses, duplexes, 10-plexes, etc. It's worthy of note that the lion's share of the most egregious housing providers' actions are found in smaller rentals that generally are not professionally managed. Mostly that's because it's not economically practical for smaller properties to cover that expense. Unfortunately, but logically, those properties are where the vast majority of anecdotal events are generated and then get reported to the legislature as if they are average or normal in the total housing providers industry.

- II. SB 799 is an infected band-aid with a long-term goal to make permanent the short-term goal used for COVID-19 gap relief. The COVID program was stated to be short-term from the beginning. It's no different than trying to wean the US economy off price controls in the Nixon administration in the 1970s.

The 1% (+/-) of all residents not able to pay their rent on time due to a brief gap in resources can lead to a zero-sum relationship that can be avoided with the help of government and private agencies and keep some people off the street. In order to make this work like it can, if done right, proponents of SB 799 should give their constituents timely counsel and

direction while ushering them through the system as their advocate to get the needed help. People who have been through the process may be some of the best people to staff this kind of program, rather than just letting those in need flounder for 2 more months like they did at the start. The goal is to help those in need and their advocates to become part of their own solutions rather than foisting it off on others.

Most housing providers would gladly extend a reasonable time to catch up if they have evidence of positive action and soon get an update and then written assurance from credible and reliable sources of funding. It's just good business that helps better assure stable income and avoided the substantial cost of vacancy downtime and costs of preparing a unit for re-rent. It's a win-win outcome.

A notice to pay or vacate is not an eviction and the proponents of SB 799 should not have reported it as such to legislators. It's no more than the kind of notice you get from a utility company explaining you are in arrears, and it says they will cut off your power or water if you don't pay by a date specific. It's normal to get an extension after talking with them about a credible good faith plan to pay off.

In the case of rent past due there are lengthy steps and time required that is spelled out in the Landlord Tenant Law even before the notice to evict for nonpayment can be filed with the court. Several weeks pass before a court date is reached (a variable) during which time payment can be made or arrangements agreed to. All the while, the residence is maintained. However, the resident is expected to pay past-due fees and court costs incurred. There is no public record of eviction unless the court orders it.

If the resident can't get the gap covered or is not operating in good faith, the growing rent lost, and turnover expenses becomes the housing provider's expense.

The additional time SB 799 offers is more salt in the wound of making housing providers an easy solution plus it's another greater discouragement for housing providers to invest their private capital and mortgage lenders to keep their interest rates and terms as affordable as they had earlier if more risk is added.

When a much greater supply of affordable housing is a critical goal in order to better balance supply and demand which helps keep rents from becoming even less affordable, legislation like SB 799 discourages investors and lenders from coming or staying. It's another shot in the foot. It makes legislators and leaders look foolish and clueless.

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