

Submitter: Anthony Merrill

On Behalf Of:

Committee: Senate Committee On Housing and Development

Measure: SB611

My name is Anthony Merrill. I am the asset manager for our family owned portfolio of approximately 1,000 MF units in the state of Oregon. We began investing in MF in the mid 90's and have always prioritized creating an environment for our residents that is safe, friendly, well kept, and affordable. We have had a relationship with Princeton Property Management since inception and they have always treated community members with respect and appreciation for living in our communities. When we bring someone into our communities, we have a contract with them to provide good quality housing at a fair price. They agree to pay us the market rent and we agree to take care of the multitude of responsibilities that come with owning and operating an apartment community. The system works because both parties are bound by the contract. We don't determine market rents for our units, but rather they are determined by what someone is willing and able to pay. IF our vacancy starts to increase, we know we are asking too much. IF we are full, we are likely "under" market. This is the way our system has been designed, and this is how it keeps people interested in developing, building, and owning communities. IF we begin to do things such as cap rents, make it more difficult and onerous to evict people for non-payment (essentially a violation of the contract we sign with them), and create a situation where we no longer have a true "market", then the likely outcome is that our housing shortage will be exacerbated and we will shrink the supply, which will inevitably bring the overall cost of housing up. We need a reasonable return on our investment to make it worthwhile to take the risk in owning and operating these communities, and there IS risk involved. We are in the process of putting roughly \$30M in capital improvements into nearly all of our assets. We are replacing siding, windows, decks, etc., and this is driven by the fact we have been able to charge market rents. We spend about fifty cents of every dollar of income on operating expenditures and capital improvements. These properties need to be cared for, and if we begin to chip away at the income while expenses continue to go up, the end result will be investors going to other parts of the country to construct and invest in housing. I think if history is a good predictor of the future, one can see that anytime rents have been artificially "capped" and owners/operators are not allowed to evict people for violating their rental contract, then developers, builders, and investors are disincentivized from building more housing, which decreases supply, which increases demand (fewer units to rent for more and more people as the population grows), etc.

In my humble opinion, there is a role to be played by everyone (renters, owners, builders, developers, government officials, etc.). We should have a system in place where we collect taxes specifically for voucher programs that make up the difference between what a family can afford and what the market rate is. We should also

streamline the land use and permitting process so we can make it less expensive to develop land and build housing. The more we can incentivize development and building, the more units we will bring online, and the larger supply we will have, thus decreasing demand and slowing the rent growth. It really boils down to simple economics. We live (for better or worse) in a country where capitalism provides for allocation of capital to areas of need. We need to work within this system (because it's what we have) to bring more supply to the market, subsidize (with vouchers) rents, and create a balance between supply and demand. It's working in many areas of the country and there is no reason it can't work here in Oregon. We just need to work together to supply more housing and subsidize (through tax revenue) those people who cannot afford market rents, which will allow them to live in quality housing.