

Submitter: John Gibson

On Behalf Of:

Committee: Senate Committee On Housing and Development

Measure: SB611

Good Morning -

We need desperately to implement solutions to the shortfall of affordable housing. Reducing the rate of rent increases and restricting an owner's personal use of existing rental properties sounds appealing.

However, it is the wrong approach.

Here is my perspective of being an Oregon real estate professional of 45 years. First, investors will shy away from ownership in an asset that they feel is unstable. Instability is effected when margins are restricted by capping the rate of rental increase and the lack of flexibility of use of a property. Why would someone invest in a rental property with handcuffs when better returns are available? Secondly, who will build new homes for the rental market? This will reduce supply by skewing new construction to the owner occupied and group setting markets and doing condo conversions on the rest.

But getting out of theoretical into real life, here is what has happened since the first round of rental restrictions were passed:

- (1) Rental property owners sold their properties in Oregon and reinvested in another state. I am one of them. I reinvested in a state where there is simply a 30-day notice to vacate.
- (2) The mom and pop rentals are a thing of the past. Instead of a local saving for retirement and something to pass on to the kids, the rentals are now being owned by faceless out-of-state REITs who don't give a rat's behind about how well the community is faring. The cost of compliance is too high with many "gotchas" in the bill.
- (3) A family with a dog looking for a single family residence? Forget about it. I know an investor with seven SFRs that sold them all to owner-occupied families, taking seven rentals off the market. Why beat yourself up with compliance issues when one can cash out and reinvest elsewhere where this particular owner went.

There are other solutions and it'll take innovation and blend of ideas:

- (1) Remember that what makes Oregon great - the land use laws from SB 100 - comes at a cost. If you are in the "club", it is easy to rent and own property. If you are new to the area, facing life transitions, etc...the initiation fee of resulting high real estate values from being inside the magic circle of a UGB gets spendy. Lets make that circle larger.

(2) Due to the melange of federal, state and local laws, easily a third of the cost of a new residence is the permit fees and applicable SDCs. On the permit fees, in this age of automation, do they have to be so high? Can private industry do some of these tasks for less? And local governments are relying on SDCs for many items that used to be paid by ratepayers such as sewers, water systems and bonding such as parks and streets. This cost shift hurts the availability of affordable housing as these have to be made up by increased rents.

(3) A wealthy person in Oregon can take advantage of a \$2,500 payment from the state for buying a \$90,000 Ford F-150 Lightning, \$500 for buying long term care insurance and \$1,000 for supporting the Oregon Cultural Trust. Working people don't get any of this. Other than the Cultural Trust, I don't see Fords built in Oregon and long term care insurers based in the Beaver State. Why not help costs by throwing incentives to Oregon taxpayers develop and remodel housing for those in certain income brackets?

Ideas are out there by folks a lot smarter than me that when mixed together will help those who need a roof over their head without struggle. Hammering housing providers is not one of them.

-John