

Submitter: Eric Allen

On Behalf Of: Affordable Rental Housing Suppliers

Committee: Senate Committee On Housing and Development

Measure: SB611 - Opposed

Let's be honest, Every economist and politician knows that harsh rent caps only reduce the supply of new housing and thus drives rent prices even higher every year (to the max limit). Politicians know this, but they are focused on power and winning the next election by pretending like they fixed something to get voter support - they know SB611 will make things worse. If they wanted to expand housing to help lower rents they would create incentives for developers and investors who have the capital and resources to create more housing, not find ways to punish and drive Property owners out of business in Oregon. There is no housing shortage in Texas, a state that does not allow rent control and they are building more rental housing than ever before this year to exceed the growing population migrating there in search of a better life. It simply; Increasing the supply of housing forces property owners to hold rents down to compete and avoid vacancy. Rent controls are what is distorting the market and need to be phased out.

You can ignore that inflation does not affect Property owners and vilify them as greedy or blame them for all the homeless, but eventually politicians have to look in the mirror and realise they are making life even worse for Oregon renters. It is just not possible to legislate Property owners to become non-profit providers of housing. Free market supply and demand will solve the housing crisis if all the punishing rent controls are lifted permanently. Thousands of investors will rush back into Oregon and build a surplus of housing increasing vacancy rates that will force property owners to lower rents.

After 30 years of providing affordable housing to over 400 citizens at below market rental rates I have never seen so much governmental overreach the last few years that is now driving property developers and investors out of Oregon. So many are fed up with losing money, and being vilified as uncaring, and having little options to recover the increasing costs from inflation and high interest rates that have increased borrowing costs by 50%.

Excessive governmental spending is the cause of this painful inflation that everyone is dealing with including Property owners. Property owners are made out to be greedy, and asked to bear the full brunt and cost of inflation and to subsidise rental housing. The cost of property has increased over 30% the last couple years, and high interest rates have doubled the borrowing cost to finance rental properties, insurance rates have gone up 35%, the cost for labour and maintenance supplies have increased 20%, and even utilities have gone up 25% as more tenants work from home and consume more rent included utilities each day. The trailing year's CPI measure of inflation is not a sufficient measure of what the real costs are for rental housing inflation and has no interest rate factor that affects borrowing costs. Further restricting the rent cap another 50% lower than the current rate and adding thousands of dollars for relocation fees could bankrupt Property owners who have spent their life savings to provide housing. Who will provide new rental housing for the 40% of the Oregon population that can't afford to buy a home?

High inflation is increasing the cost for everything; gasoline, food, insurance, power, autos, and especially housing. We are all feeling the burdensome tax of high inflation and I would

love to set limits on the price grocery stores can charge for food or cap the price gas stations can raise their prices to 3% each year. However if we try to control this with harsh price caps we would harm the stability of our state's economy. Trying to intervene with price controls does not allow the creation of more supply to balance the demand and will have the opposite effect that was intended. Restricting the price of gas or groceries would harm and bankrupt those businesses who provide the food and fuel we need to survive. Housing is no different, if property owners lose money and can't afford to pay the mortgage and repairs, they will be forced to convert rentals to condos and sell their investments to avoid bankruptcy. It's predicted that these harsh rent caps could reduce the supply of rental housing by 18% and with vacancy rates currently at 1.5% now, this could cause tens of thousands to become unhoused in the coming years.

Rent rates in 2020 decreased because of the lack of demand. In 2023 rents are increasing because of high demand and inflation last year. We are seeing rental increases in 2023 because of the rent control measures restricting property owners from increasing rents until the following year when the CPI is calculated, so rents increases are always lagging one year behind. Costs that increased in 2022 can't be recovered until 2023. Inflation and rent rates will slow in 2024 as high interest rates are slowing down the economy and inflation. However the continued threat of more rent control is pushing landlords to raise rents to the maximum allowed before even more restrictive laws are passed. Property owners that don't raise rents are effectively lowering their property value and fall so far below Market rent it can take 10 years to try and catch back up to Market rent.

Real Estate costs have increased dramatically with inflation; borrowing costs have doubled with increasing interest rates, insurance costs have increased 35%, the cost for building materials and maintenance labour costs have increased over 20%. If property owners are not able to cover their costs to pay their mortgage, property taxes, and maintenance they will be forced to convert their business or go bankrupt. This measure could eliminate Oregon investments to create new housing. It is estimated that 18% of the existing rental housing will be forced to convert and be sold as condos in order to repay the lenders and investors exiting the state. Public sector housing has never solved a housing shortage because bureaucratic expenses that slow construction and is limited by the lack of funding. SB611 just accelerates the decreasing states population and expands the homeless population and despair in our state. Punishing and vilifying the property owners that are providing housing is a shortsighted strategy that is destructive to housing supply.

Please stop destroying Oregon and punishing renters for your bad legislative decisions. It's time to do the right thing and set us on a track to build 40,000 new housing units. Work with the Property developers and investors to create incentives to encourage them to build more affordable housing. Offer incentives to single family home owners to share their under-utilized bedrooms and promote house sharing. Voters are smart and will understand that more housing will reduce the rental rates more effectively than more laws.