

Chair Keny-Guyer, Vice Chairs Noble and Sanchez, and Members of the Committee,

I support the provisions of SB 608 that would end without-cause evictions and limit the frequency of rent increases to once per year. However, I am concerned that the provision that would establish price controls on rent – 7% per year above the consumer price index (CPI) – may have adverse long-term effects on our rental market (and thus our renters). I encourage you to pass SB 608 without the price control provision.

It is clear that we have a housing crisis in Oregon and should take immediate action to alleviate the problem. I believe that renters should not have to worry about suddenly and unexpectedly losing their homes, and ending without-cause evictions would address that. I also think that limiting the frequency of rent increases would provide valuable certainty to renters; if renters are aware of when their rent may increase, they can at least prepare for the possibility that they may need to move if it becomes too expensive to stay.

On the other hand, it is possible to be too shortsighted about renter protections. I know that the 7% per year above the CPI limit on rent increases is well-meant, but its efficacy is not supported by economic theory or recent policy evaluations. Conventional economic theory states that imposing price controls on the housing market creates a disincentive for landlords to rent out their properties or for developers to build new housing, causing the supply of housing to stagnate. Evidence from a 2018 study by Stanford University researchers Rebecca Diamond, Timothy McQuade, and Franklin Qian suggests that this is a valid concern, given that the introduction of rent control in San Francisco resulted in a 15% reduction in the supply of housing provided by landlords who were covered under the policy. If we are to effectively address our housing crisis, we need to make sure that we understand the full set of effects our policy choices will have on the housing market. It would be disadvantageous to impose rent control in an effort to make housing more affordable only to create a housing shortage in the long term.

Housing affordability has two obvious components: the price of housing and the consumer's ability to pay for it. If price controls are of questionable efficacy, perhaps improving residents' ability to pay would be a viable alternative. I encourage the committee and the legislature at large to look into better addressing income inequality (perhaps by increasing the minimum wage) and what it might take to subsidize affordable housing units across the state, whether by designating specific units as affordable or providing vouchers to renters with incomes below a certain threshold. A tax on large businesses or wealthy individuals would be a logical candidate to fund such a program.

In summary, I support ending without-cause evictions and limiting the frequency of rent increases, but I am not convinced that a 7% annual limit on the amount of rent increases would have the intended effect on housing affordability in Oregon. Please amend SB 608 to remove this price control provision before passing the bill.

Sincerely,

April Hersey

Portland, OR