

From: [Dianne Cassidy](#)
To: [HHS Exhibits](#)
Subject: SB 608
Date: Tuesday, February 19, 2019 12:22:07 PM

Financial impact analysis of SB 608 states:

Cities

*Cities serve only as back up to County Sheriff offices in executing evictions. Cities anticipate the measure **would have a minimal fiscal impact on their expenditures**. Though unlikely, the measure could increase overall evictions.*

Counties

*Evictions are executed by County Sheriff offices. Counties anticipate that the measure would have **no fiscal impact on their expenditures**. Though unlikely, the measure could increase overall evictions.*

Department of Administrative Services

*The measure would require the Department of Administrative Services (DAS) to publish the maximum annual rent increase in a press release, as well as maintain publicly available information on its website about the maximum annual rent increase percentage for the previous calendar year and the current calendar year. The measure would have **a minimal fiscal impact on DAS**.*

I find this analysis to be suspect. When I reviewed the San Francisco Rent Control Board website <https://sfrb.org> - and this is for just one city - the bureaucratic apparatus necessary for the administration of Rent Control and Rent Stabilization is extensive. It would be naive to expect that administering the rules and regulations resulting from SB 608 would not expand local and state administrative costs also. (Click on *Forms Center* for an idea of what can happen.)*

There is always the factor that no matter what the legislature deems acceptable at the outset of the bill, or anticipate will happen regarding amendments to the law, it is certain that over time things will change. No one can predict what this bill will cost even in the first year of implementation, let alone 10 or 20. What kind of ongoing expenses will this bill cost to cities, counties and the state over time when we know they are all strapped for money now?

The fiscal impact of SB 608 is not adequately accounted for and should be evaluated further before adoption of this bill.

* Starting in 1982 and for the first 2 years, the allowable rent creases in SF were 7%. For the next four years it was 4%. In the last 28 years it has averaged 1.6%. There is NO guarantee that the rent increase allowance will remain at 7% plus CPI, but there it is certainty that it will not go higher.

Regulation, Enforcement and Costs of SB 608:

- What entity will be responsible for enforcement of SB 608? Who will be responsible

for paying for the administration of this bill? Will there be rules to guide local jurisdictions, or will each be responsible for inventing their own? Are there any limits on what other regulations cities can impose on top of those in this bill?

- What will be required of landlords to comply with the bill? If there is any reporting or new tracking needed, has the cost to the landlord of increased regulatory compliance been quantified? How will this additional cost be offset?
- Will the State or Local governments be generous with their revenue streams during recessions when rental income is down and vacancies are up?
- Since SB 608 is stated as an “Emergency”, what objective criteria defines an “Emergency”, and how will we know when the Emergency is over? It would seem that once started, the emergency bill would go on indefinitely because stopping it would cause an immediate hardship for tenants, though some jurisdictions have eliminated rent control successfully (Boston).
- At this time, rents in Portland Metro Area are flat or going down. The peak for rental increases was in 2015. Though some owners are still imposing large rent increases on tenants, that is mostly because they have purchased properties that they intend to improve. This is a good thing as it keeps older properties in service rather than allow them to decline. It is much like a homeowner making improvements to their house and recouping the cost with they sell it.
- The reason for the slow down in rent increases and lower rents is that the market is working to produce more housing. This happens with rent prices increase. As the top tier rental prices escalate, lower tier rentals follow. As top tier rentals go down, lower tier rentals decrease also. It is a mistake to believe that as much new housing will be produced with the hybrid system of rent control as without it using the market to drive production.
- Most people outside the industry do not understand the short financing periods (5-10 years) with mortgages that have balloon payments at the end of the term. Periodic refinancing is required. The value of a property is related to its actual and potential net income (LTV - Loan to Value) and rates are adjusted accordingly. If revenues are capped, if property values are suppressed, it will become increasingly expensive to do business carrying high debt service expenses. Some properties are currently highly leveraged and they will be the first to experience difficulty under this bill. If properties have deferred maintenance, the need for cash vs the additional debt expense and suppressed revenue can be a death knell for the owner.
- My apartments are in Gladstone. They were built in 1965 and would be included in the lot to be covered by rent control. At 50 years old, the buildings are in constant need of work to keep them viable. And it isn't cheap. Yet these older units are the ones that are most affordable - my tenants do not drive Mercedes or go to Hawaii on vacation. It is not logical to hamper or place limits on income for the landlords who are providing the very service you want. At some point it will be impossible to keep my property up to the standards I require. I won't own a dilapidated property - but someone else will. I don't think this is what you want. Please think about the consequences of your decisions. What looks good on paper has real world implications.

I will think of things later that I think you should know. You can make all the laws you want, but you cannot control human responses to those rules. The think about rent control is that the consequences are knowable and entirely predictable. Whether you call them rent stabilization, a hybrid scheme, or something else, they all place caps on the income a landlord can charge for his product. Price fixing is not a solution to affordable housing.

Thank you for considering this testimony. If you have any questions or would like to talk, please give ma a call.

Dianne Cassidy
503-998-0282