

Rosenberg Corey

From: Lisa Long <highfiveprop@icloud.com>
Sent: Monday, May 01, 2017 12:26 PM
To: SHS Exhibits
Subject: testimony concerning HB 2004

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Lisa from High Five Properties here.

I am writing in opposition to HB 2004.

I am a property manager and real estate agent as well as owning rentals personally.

My property management clients are all small operators, individuals who own a few rentals. Some have one rental house. Some a couple of 4-plexes. None of them is rich and none of them is getting rich from their rental. No one makes money on their rental until they pay off their underlined mortgage which is typically a 30 year mortgage. Many actually have to feed the properties to make their payments. I know I do. I have worked my whole adult life to pay off my mortgages. Small owners like myself work harder than anyone you know. We don't go on vacations. We don't indulge in luxuries. How can we when a new roof costs \$15,000 and is non-negotiable. I don't get to decide whether I want to go to Europe or put a new roof on my duplex. I have to put the roof on. That is the cost of being a landlord and we do it because of the promise of a cash stream in thirty years when our mortgage pays off.

Some of my clients purchased their property as a long term hold with the intent of paying it off and relying on the income for retirement, children's college expense, or care when the owners are elderly.

One party I manage for inherited their duplex from their father who inherited it from his father. It has provided revenue for three generations of writers and artists.

None of my clients are speculators and none have gotten rich from owning rental property.

All consider it a long term commitment which will end with a paid off property that will help supplement their income later in life.

Now those patient investors are considering what to do.

My clients will not be able to cover their costs or afford necessary improvements on their units with an annual rental increase cap of 5% or less. With property taxes going up 3% a year in Multnomah County and in addition to any bond measures that get passed, owners will not be able to stay ahead of their annual property tax increases, increases in utility costs, and even the most basic maintenance not to mention substantial improvements to the property. The bond bill up for a vote on May 16 in Portland will effectively put my clients and myself underwater with a state wide 5% cap on rental increases. My clients will not be able maintain their properties if rental increases are limited to 5% a year. Owners will not be able to stay ahead of their annual property tax increases, increases in utility costs, and even the most basic maintenance not to mention substantial improvements to the property.

The penalty of relocation benefits to tenants who receive a no cause end of tenancy will very negatively effect my clients' ability to maintain and improve their property. Many of my owners need to vacate their units in order to do major renovations on their units. You can't put in a new bathroom or kitchen while tenants occupy. The amount of process necessary in HB 2004 to simply gut a bathroom will make it prohibitive for property owners to make improvements. How much red tape and process do you expect owners to support for the privilege of spending \$15,000 to put in new plumbing fixtures, tile, and vanities?

And just to be clear, all landlords use the no cause notice to remove a tenant who is problematic but who is savvy enough to work around the confines of a for cause notice.

Another topic on the table is an additional state tax on rental revenue. The proposal is that the state or city government will determine what is a "fair return" on rental income and anything above that number will be taxed. Should this proposal go into action, I can't see why anyone would want to invest in rental property when profits made in the stock market do not incur an additional "fair return" tax.

I strongly strongly oppose any local jurisdiction dictating what a "fair rate of return" is for a private investor. This notion completely undercuts the concept of free commerce and will certainly erode the economy in this state.

There are no locally determined "fair rates of return" in any other private business. Why would anyone invest in the real estate market if the government is determining what a "fair rate if return" is on their investment?

The stock market and the bond market do not dictate a "fair rate of return."

Investments are all about weighing risk against gain and that is the responsibility and CHOICE of the individual making the investment. Plenty of real estate investors lose money on their investments. It is the risk they take. It is understood when you enter the market, any market.

The suggestion of having a local government determine a "fair rate of return" deconstructs our entire economic system. Yes it may protect investors who are losing money on their real estate investments and it may limit the profits of investors who are making money on their real estate investments but THIS IS NOT THE ROLE OF GOVERNMENT.

The concept of a fair return on an investment calls to mind the suffering my close friends endured trying to run a furniture business in his native Cuba. The government did not want its citizens to make a profit. My friend sold his business, hired a coyote, and escaped with his family to the U.S. My friend is now an independent businessman who makes furniture and has sold his work at the Joinery and other well regarded establishments. His son is going to realize his dream of being a pilot and is about to enroll in flight school. My friend is a U.S. citizen, and he loves this country because he has had an opportunity to profit from his hard work. He owns his own house. He has helped other immigrants to find jobs and obtain citizenship. Would he have been drawn to our country if he was only offered what a politician considered a "Fair Return" on his business? That sounds like very much the situation he fled in Cuba.

I urge you not to support a bill that will be remembered as Oregon's transition to a socialist government.

Along the same lines, what right does the government have to exempt some landlords from fees but not others? This notion of what is "fair" is in direct opposition to a free market. Does the State want to encourage investors to limit their investments to four units? Does the federal government limit the amount of stock an individual can purchase and issues penalties if they purchase more than the approved amount?

I don't understand why the legislator does not apply their time attention towards developing subsidies for tenants in need rather than penalizing landlords. Certainly landlord associations could be counted on to make contributions to funds for housing if they knew that such tax deductible contributions would create a more balanced housing market and would eliminate the demand for state regulations of their business. I certainly would give money to such a fund to help those in need and also preserve my independence.

I am deeply disheartened at the short sightedness of HB 2004. There are much more effective ways to achieve balance but those ways require more work on the part of the legislature. It's a poor solution to make landlords responsible for housing costs. It makes much more sense to create incentives to provide affordable housing to renters than to penalize landlords for trying to make a profit. How about offering tax deductions for landlords who agree to keep their properties rented for below market rents? I would support such an option because it would be my CHOICE to offer a lower rent in return for a state tax deduction. It is the role of government to address the needs and concerns of their citizens, but it is also the role of government to create programs that will support the desired results without infringing on the rights of others.

The notion that housing is a right is a ridiculous claim. Housing is a NEED as is food, water, education, and medical care. The ability to vote is a right, all U.S. citizens are entitled to it no matter what. Housing, like food, is a necessity, but it is a necessity that costs money. Someone has to pay for it. We have food stamps and other support services to provide food for those in need. We have the Oregon Health Plan and medicare to provide medical care for those in need. We have affordable housing and section 8 to provide housing for those in need. If those subsidies are no longer adequate to serve the population in need, then funds for more housing subsidies need to be developed. Appeal to the private sector for support but it is government's job to develop relief programs. Penalizing one specific member of the private sector, landlords effectively eliminates our free market economy.

I started buying property in 1989 and through a lot of hard work, sacrifice and sweat equity, put together a portfolio of small multifamily buildings, mostly duplexes and tri-plexes, which I was counting on helping to fund college for my two daughters.

I have told my daughters since they were very young, "take care of the properties and they will take care of you."

In our business that means taking care of our tenants, our vendors, and our owners.

We have been to my tenants' weddings, held their babies, and hugged their elderly parents.

And we have taken care of our properties, doing regular improvements and making the units beautiful places to live.

I depend solely on my properties to help fund my children's college education and provide for my retirement. I don't have a 401K. I don't have health benefits, I don't have a pension. I don't have paid vacation days, sick days, personal days or maternity leave. I was back answering the phone arranging for appliance repairs three days after my daughter was born. I work when I am sick. I was back at work two days after my mother died. No government employee has any notion of what it takes to run my business, and no public jurisdiction has the right to tell me what is a "fair return" when I am scheduling maintenance for tenants two days after I have put my mother in ground.

Please do not support this short sighted bill. Landlords are prepared to work with Tenant advocates to help provide solutions to housing issues, but we need to work on proposals that take all parties and our local economy into consideration. Please do not support a draconian bill that punishes people for owning rental property and makes the very investment that very likely has not been income producing for 20 years into an

investment that offers nothing at all to the owners but expense and liability. Do not support this poorly conceived bill.

Sincerely,

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