

KWDS LLC
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May 1, 2017

Dear Representative,

My family owns and operates 8 entry-level, multi-family communities, a total of 850 units, in Oregon. We have apartment units in Wilsonville (164), Sherwood (76), Woodburn (334), Salem (180), and Bend (96). We are also in the planning process to build 136 units in Newberg. We have invested in Oregon by building and operating various multi-family complexes since 1978, all in suburban cities. As providers of critically needed housing, we have some thoughts about the proposed legislation before you now. Please consider our input on rent “stabilization”, just cause vs. no stated cause terminations, and relocation payments; as well as the real issue before us all, supply.

The proposals before the Oregon House and Senate must be reviewed and the unintended consequences of passing some form of HB-2001, HB-2003, HB-2004, and HB-2240 need to be thoroughly examined before action is taken. These proposals will cause problems for both the residents and landlords and will not solve our supply issue.

Rent stabilization or rent control can have the effect of lowering the vacancy rate and availability even more so than in a free market. In a free market, two people might both be looking for a one bedroom apartment. One person can spend \$1,000 and the other has \$650 to spend. The market rate is \$1,000; therefore there is only one qualified applicant. The other person has the option of pooling his/her monies with another and sharing a larger unit. Under rent control, the rent may be \$650; now all three people are qualified for the one bedroom leading all three to be looking for the same available apartment. This creates a housing shortage; this does not lead to additional supply and does not help our current housing crisis.

Rent control discourages construction of new rental units in the marketplace. Investors do look for a return on the risk they are taking when developing or improving

housing communities. If the rate of return, partially reliant on the rents charged, is not strong enough, developers will take their money elsewhere; someplace where the ability to get their desired rate of return is greater. This leads to fewer units being built and put into the supply chain. Likewise, improvements to existing communities becomes financially restrictive. If owners are unable to raise rates, they do not have the ability to make repairs or upgrades to existing communities. The quality of the apartment homes available for rent decreases year after year and they may disappear from the marketplace altogether.

Our policy is to offer Month-to-Month contracts only. Over the years this niche has served us and our residents well. There are many people who, for whatever reason, do not want to be locked into a long-term lease. No cause termination is needed for month-to-month residents to give notice to the landlord that they will be vacating the premise. In turn, landlords may need to use the no cause termination when doing necessary repairs or improvements to a property or when selling a community. On occasion, a no cause notice may be used by a landlord to terminate an agreement with a resident who presents a potential danger to other residents, neighbors, or the property. As a responsible landlord, we do not use them for “no reason”; they are used for the renter who does not think that rules are for them or for the renter that jeopardizes the peaceful enjoyment and safety of those around them. As an example, we recently had a resident who intentionally started several fires in her unit. We were all fortunate that she did not kill somebody. For the continued well-being of the other residents in the building (11 other households), we did issue a no cause notice. If no cause terminations are eliminated, we would have to go to court to have problem residents, like her, evicted. This will create a burden on the court system; cause many good residents to want to move quicker than we can get the bad renter out, placing further burden on our already low supply; and cause the evicted resident additional difficulty when renting in the future. Without the ability to get the bad resident to leave relatively quickly, we will also implement much more difficult screening criteria. We will not “take a chance” on a first time renter or on someone who could deserve a second chance, but we are not quite sure. We cannot afford to take chances on one person that may disrupt the living environment

or safety of several others. Again, this will not help get people into housing or provide additional housing. It will make it more difficult and expensive for everyone.

Relocation payments for those people who are given no cause notices, rewards the bad resident. At the rates provided for by the City of Portland, I can afford to have a unit vacant for several months and take the time to find the right resident that passes all of our screening criteria. Again, we will not give chances to potentially good residents who do not have rental history to prove they will be a good fit in our community; we will wait and have a vacant unit longer than necessary. This takes available units off the market longer and out of the supply chain.

Landlords are not the problem when it comes to our housing issues in Oregon; availability of land to build more housing units and provide more supply to the marketplace is everyone's problem. As seen above, the "solutions" offered in HB-2001, HB-2003, HB-2004, and HB-2240 will not "fix" the problems, but will actually make housing more difficult for everyone. The quality and quantity of housing in Oregon will go down and developers and investors will look elsewhere when determining where to use their dollars. I sincerely hope that you do not make a quick decision that leads to more issues than solutions. Look for ways to help us find and zone land for further develop so developers can provide quality housing options for all levels of our State's citizenry.

Thank you for your consideration of these very important issues.

Sincerely,

Kim A McAvoy, Member

KWDS, LLC

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