

Human Services Committee hearing on HB 2004
May 3, 2017, 1 PM

Summary of testimony of Michael Feves.

Background: Mr. Feves and his family have been housing providers in the Portland area for over 70 years. They currently manage over 600 units. Most of the units provide housing to low and middle income people.

HB2004 was presented as a short-sighted response to a housing shortage in Portland and other areas of Oregon. If passed it will have long lasting negative effects on the housing market in Oregon. **The housing emergency is over.** In “Portland: Affordability & Metro Level Displacement”, Josh Lehner, economist in the Oregon Office of Economic Analysis concludes: *The Portland region has reached a housing inflection point. Affordability has stopped getting worse. Rents are still rising, however household incomes are now keeping pace. Wages will continue to see strong gains in a tight labor market. Furthermore, vacancies will rise. New construction and a full pipeline for future development will ease rent increases. The result should be better affordability in the coming years.*

HB 2004 is bad public policy for the following reasons:

- **The no-cause notice is a valuable tool to help housing providers maintain safe and secure housing.** No-cause notices are typically used to remove tenants that: a) pose a threat to the health and safety of others, b) are disruptive to the quiet enjoyment of the property or c) tenants that repeatedly violate the rental agreement. It may seem that the 6-month provision in HB 2004 overcomes this claim, because one would think that a housing provider would know within the first six months if a tenant is disruptive. The problem arises when an existing tenant changes roommates or adds a roommate to the tenancy. Further, sometimes people become disruptive after more than six months of living together. For example, consider the case of a couple who decide to divorce.
- **Elimination/restriction of the no-cause process makes it more difficult for low income people to find housing.** If no-cause evictions are eliminated or restricted by mandating relocation fees, applicants will be screened more thoroughly. Housing providers will be less likely to “take a chance” on a marginal applicant.

- **Elimination of the no-cause process will clog the judicial system and will leave tenants with negative judicial records.** The “no-cause” option provides an opportunity for the housing provider and tenant to work out a solution without the need for judicial intervention. With “for-cause” evictions, the process will be brought into the judicial system. Once in the system, the tenant’s behavior is a matter of public record and this information is published on credit reports and other documents that property owners use to screen prospective tenants. A recorded history of eviction makes it more difficult for a tenant to find replacement housing. Therefore “for-cause” evictions place tenants in a worse position than the current system of no-cause terminations.
- **For-cause terminations are expensive and almost impossible to execute.** For-cause terminations require housing providers to document and verify offending tenant’s behavior. Evidence usually consists of neighboring tenants’ testimony. It is very difficult to obtain testimony from neighbors because of the expense of taking time from work and possible intimidation. People who testify may be placed in danger. For example, in December 2016, two apartment managers were shot in Portland because they evicted a tenant.
- **It’s only fair.** Tenants have the right to provide landlords with 30-day move out notices without having to provide a reason. It is only fair that housing providers have this same right.
- **Rent stabilization leads to overall increases in housing costs.** Standard supply and demand theory predicts that when price controls are imposed on a portion of a market, prices in the unregulated portion of the market will be forced higher than their normal market value. *“Data from eighteen North American cities show that the advertised rents of available apartments in rent-regulated cities are dramatically higher than they are in cities without rent control.”* (William Tucker, “How Rent Control Drives Out Affordable Housing”)
- **Rent stabilization reduces the supply of affordable housing.** With increased regulation, developers and investors will look to other investments besides apartments. Affordable housing that is “rent stabilized” will be converted to condominiums or buildings will be demolished to make way for new more expensive housing.
- **Rent stabilization causes neighborhoods to deteriorate.** When property income is restricted, there is less money available to keep the property maintained. There is no incentive to make improvements to be competitive, because there is a limitless supply of prospective renters.

- **Rent stabilization reduces government income.** With the deterioration of rent stabilized housing, income and market value of the housing decreases leading to a reduction in tax receipts.
- **Rent stabilization does not target the most vulnerable population.** Rent controlled units are equally available to more affluent renters.
- **Rent stabilization is inefficient.** Most rent stabilization plans involve a review board and approval process for rent increases. This takes time and money for the housing provider and requires an expensive government bureaucracy to administer.
- **Rent stabilization is not equitable.** Rent stabilization may benefit existing renters, but future renters will find it more and more difficult to find housing. Rent stabilized units rarely become vacant because the rent is below market level.
- **Rent stabilization will cause apartments to become underutilized.** For example, when the children in a family grow up and move away, the parents are left with more housing than they need. There is no incentive for empty nesters to move to a smaller apartment because the rent on a new apartment will be greater than the rent controlled unit.

In 1985, the Oregon Legislature recognized the benefit of banning rent control (stabilization) and passed ORS 91.225. This law has benefited all Oregonians for over 30 years. The law works. Do not be short-sighted and allow cities and counties to develop what will become a confusing and complex system of rent control measures. The citizens of Oregon deserve a uniform statewide system of landlord-tenant laws.

VOTE NO on HB2004