

Rosenberg Corey

From: Andrew Fields <andrew@avcorp.biz>
Sent: Tuesday, May 02, 2017 11:18 AM
To: SHS Exhibits
Subject: HB 2004 A - Opposed

Dear Senators:

Presented before you, is a question:

Should you take more action to get involved in housing in the State of Oregon?

Notice I didn't say "How should you attempt to solve the housing problem in Oregon?"

I state it that way since in recent years, much action has been taken on your part to inject the legislature into the housing market in Oregon. I would contend you have increased the cost. How can I say this? Because I am a landlord. Myself and my family own property in 6 different cities in Oregon.

10 years ago, our deposits were \$200-\$300. Now they are edging past \$1000. Why? Because your actions have extended the amount of time a bad tenant can stay in my unit without paying rent. Your actions have made it more difficult for me to be creative in charging fees to "bad tenants" forcing me to treat the "good tenants" as "bad" so we don't lose \$1000s from the bad tenants. Understand, **every** penny of increased cost is paid for by tenants, good and bad; landlords pay none of that. Private landlords only receive income from one source: the tenants. Therefore, if you increase cost to landlords, you increase the cost to all tenants. This is simple economics.

I asked my banker the other day (a lead loan officer for a State chartered bank with branches in 10+ cities) what he would say if we just charged below market rents to provide "affordable" housing to our tenants. I assured him that in some cases, we could "afford" to do this. His response was not surprising: "We would not loan money to you, or re-finance your existing loans when the balloon payments came due."

I asked him why. His response: "As a bank, we have to selectively choose where we loan money. If I have 5 clients, and I can loan money to 3 of them, and 1 of them, you, is doing what you suggest, you will be one of the 2 I don't extend a loan to. It is just too risky. Since you will be getting below market for your units, how will you have enough capital to survive if the market takes a down-turn? Your competitors will have saved up capital during the 'boom years' to cover the 'bust years' and you will not. They will survive, you will not, or might not. As a lender, I can't recommend my bank undertake those risks."

This is true. In 2007, when the housing market took a major dive, we had units where we had to drop our rents 20-35% just to get an occupant. I don't recall anyone from the legislature coming to our aid, to "shore up our losses" while we took a bath in red-ink to survive. Many landlords did not survive. Had we not had sufficient capital to survive (and we almost didn't) we would have been forced to sell off our property and exit the market entirely.

I would ask you: who benefits from that situation? The largest, most powerful of landlords. They would be the only ones who would have the asset base to borrow and acquire in that situation. Is it your goal to clear the deck of all small to mid-sized landlords and property owners in our state so that only the largest survive? Do you think that will get you more "affordable" housing? I don't think so. I think competition provides the best price to the consumer. Removing competition, from an economic standpoint, increases price to the consumer.

Being a landlord is complicated. There are many factors at work. It is impossible for you or anyone else to predict the outcome of your actions. In almost every case, there will be consequences you could not anticipate.

This is why I recommend that legislators stay out of trying to inject themselves into markets, if at all possible. There are too many unintended consequences. The best thing you can do is allow the market to work. It does a very good job at evening things out in the long run. No amount of legislation is going to remove the "booms" and "busts" that exist in a free market. Unless you don't want a free market. In that case, you will be picking "winners" and "losers" instead of the

consumer. Personally, as a consumer, I want the choice to be able to pick my vendors; I don't want that choice made for me by a legislator who doesn't know my situation.

I should probably pause here and address an issue: "self-interest." I have heard it stated that "self-interest" and "selfishness" are the same thing. But they are not. We all engage in "self-interest" daily. When I choose to eat chicken instead of pork, I am not being "selfish" I am making a choice based upon my preference, for what is in my "self-interest." Selfishness, on the other hand, is taking actions that are concerned **exclusively or excessively with oneself without regard to the well-being of others**. This is a big difference. A "self-interested" person makes choices between chicken and pork, a value we prize in America: Choice. A selfish person steals the chicken or the pork, or both, because they don't care who worked to raise that chicken or pig, they just want "theirs" regardless of who gets hurt. Free markets work because each person, the buyer and the seller act in their own "self-interest." I have heard it stated that landlords are "selfish" when they evict a tenant because they want to repurpose a building, perhaps to raise rents, or for some other reason. But how can that be? The landlord **owns** that building. They purchased it, took risks, in some cases, they may have gone without income for years from that building to achieve the position they are in now. Just as the tenant has a right to move, exercising their "self-interest", perhaps to take a better job, or to gain more living space, or even save money if another landlord across town is offering space for less money. So also, should the landlord have the same right to exercise their "self-interest" and terminate tenancy under the conditions of the contract the landlord has with that tenant. If you disagree, I would like you to answer this question: why is it morally "right" for a tenant to move in their "self-interest" depriving the landlord of their tenancy, but it is morally "wrong" for the landlord to force the tenant to move, depriving the tenant of their dwelling? I have heard one argument as being: "Depriving a person of money is not as bad as depriving them of their home." But I can speak from experience: when the housing market tanked in 2007, my income was so low, that as a landlord, I almost lost my home. I know at least 3 other landlords that **did** lose their homes. I state this to encourage caution in attempting to impute some sort of moral "position" of "right" on some positions, but "wrong" on the position on the other side. It isn't always a clear as you might want to believe.

I have also seen arguments that removing "No Cause Notices" will remove a tool from Landlords to remove "bad tenants." That is true. It will. Ultimately, that legislation, just like any legislation that takes away "choice" from landlords will drive up costs. Landlords will lose the ability to act in their best "self-interest" which will have a cost; that cost will be borne by tenants.

My family has been a landlord for 55+ years. In that time, I can state that 85-90% of our tenants are good tenants. And of the 10-15% that we might not call "good" only a small percentage would I call "bad." Unfortunately, when they are "bad" they can be very bad. Fortunately, I don't have to live next to those "bad" tenants; but my "good" tenants do. We are the ones that take the calls when a "bad" tenant is dealing drugs, but the cops can't catch them, or is stalking another long-term tenant's daughter, but there isn't any evidence, so we can't evict "for cause." We have become very good at being "peace negotiators" but sometimes, "bad" tenants don't want a peaceful solution; they want to be bullies. Remove "No Cause Notices" will give free reign to the bullies we have to deal with on a regular basis. And removing it will **not** reduce rents in Oregon or create more "affordable" housing. Those landlords that want to use "No Cause Notices" to empty their buildings to repurpose for another effort will still do so. You will just have punished all the "good" tenants in the process.

Which returns us back to our original question:

Should you take more action to get involved in housing in the State of Oregon?

If your goal is to reduce rental costs in the State of Oregon, consider **removing** regulations instead of adding new ones. Every regulation and constraint you add **will** have a cost, and the **tenants** are the ones that will pay it.

HB 2004 will cause an increase in rents and will create no additional "affordable housing" therefore, I am opposed to it.

If you are interested in having that conversation about actions I might propose to address "affordable housing", I live in Salem and would be more than willing to speak with any Senator that is interested. I will answer your questions honestly and clearly. I was born and raised in a landlord family and was taught that the most important person in the world was: our tenant.

I should also point out that none of the rental units my family owns is “luxury” but all within the “affordable housing” range. I have weeded and mowed those projects since I was 3 (okay, I didn’t start mowing until I was a bit older), cleaned and mucked out units left by “bad” tenants. Cleaned laundry rooms, scrapped roofs of moss, picked up dog droppings left by tenants with unauthorized pets. All to help and assist those “good” tenants who are by far in the majority.

Help me help those “good” tenants, and prevent the “bad” tenants from being bullies.
Vote no on HB 2004.

--- Best Regards,

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