

**TESTIMONY BEFORE THE OREGON SENATE HUMAN SERVICES COMMITTEE  
ON HB 2004**

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Dear Senator Gelser and Committee Members,

Oregon is experiencing a crisis in affordable housing. In Portland rents for one bedroom apartments, adjusted for inflation, rose by 82% since 2011, and in 2016 rents rose by 1.5% per month! More than half of Portland renters are officially “cost burdened,” paying more than 30% of their income in rent. And rents have spiked even higher in other parts of the state. The state government should not stand by and do nothing in face of a situation that has reached crisis proportions.

All economists know that the long-run solution is to increase the supply of affordable housing. But this cannot be done in the short-run, and will be difficult to accomplish soon in the circumstances we find ourselves:

- Housing is not only a basic need but also a big ticket item in many families’ budgets. So as long as inequality of wealth and income continue to escalate -- as they have in the US now for over thirty years – more and more households will become unable to afford market-price housing.
- The federal government has drastically reduced spending on affordable housing, and shows no sign of getting back in the business of supplying more affordable housing in the near future.
- And as I do not need to remind you, the state of Oregon is facing a \$1.6 billion shortfall and struggling to raise taxes enough to prevent K-12 public education from deteriorating even further than it already has, which makes it difficult for you to appropriate sizable funds for increasing the supply of affordable housing right now.

So as inequality continues to rise, and no sizable subsidies can be expected from either the federal or state government, it is unrealistic to wait for the crisis of affordability to resolve itself. And while we all continue to search for creative ways to expand the supply of affordable housing significantly – and I want to emphasize that word *significantly*, because that is what is now required – something must be done to limit rent increases in what have become some of the hottest rental markets in the country.

The only relief the state legislature can provide in the here-and-now is to pass HB 2004 which lifts the thirty-five year ban on local rent stabilization programs in Oregon. You need to allow local governments to address a crisis you can do little about yourselves, at least for the time

being. Give local jurisdictions the ability to use the only tool that can mitigate an escalating problem for the foreseeable future.

What arguments do opponents offer against lifting the ban?

- Opponents argue that rent stabilization ordinances fail to solve the problem because they do not increase the supply of affordable units. This is true. But that is not the purpose of rent stabilization programs, which is to keep more and more *existing units from becoming unaffordable* while the supply of affordable units can be increased by other means which, of course, are necessary as well.
- Opponents argue that rent stabilization dampens supply. Some first generation rent control programs dating back to World War II did adversely affect supply. But a whole new second generation of rent stabilization programs evolved in the 1970s and 1980s which avoided this undesired impact. Moreover, modifications made by your colleagues in the House which are now included in HB 2004 specifically address the major culprits: Local ordinances (1) must provide landlords a fair rate of return, (2) must include appeals procedures so landlords can cover unforeseen costs, and (3) must exempt all new construction for a minimum of five years. Since no local jurisdiction has any incentive to adopt an ordinance which will adversely affect new supply, they have every reason to study the over 200 local, second generation, rent stabilization ordinances already operating to good effect elsewhere in the country, and model their own program on best practices elsewhere.
- Finally, opponents argue that housing markets are very different in different parts of Oregon, so a program that may be suitable for Portland, for example, might not be suitable for Hood River. But HB 2004 does not legislate a one-size-fits-all rent stabilization program for the whole state. It simply allows local governments to adopt a program of their own design if they so choose. Therefore HB 2004 allows local governments to tailor programs appropriate to their particular conditions. For example in Portland there are many rental properties with a large number of units, while in Hood River there are few. HB 2004 allows local jurisdictions to design programs which would be suitable for them -- which should clearly be quite different in Portland and Hood River.

In short, the standard Econ 101 argument against rent stabilization ignores two things: Most importantly it ignores its benefits: *It makes rental housing affordable for the rapidly growing portion of the population who cannot otherwise afford decent housing.* In other words, leaving things as they are is clearly not a solution. Secondly, the supply of affordable housing is way, way too low right now. And since we have banned rent stabilization ordinances in Oregon for the past thirty-five years, clearly *something else must be causing that problem.*

Numerous studies have documented the consequences of failure to limit escalating rents: Families of color will be forced out of urban neighborhoods. Older residents will be forced to relocate.

Displaced working families will face longer commutes, adding to gridlock and adversely affecting climate action goals many Oregon communities have adopted. And those pushed into outer suburbs will have less access to libraries and other cultural and recreational activities. All of this has been clearly documented by extensive empirical studies of numerous, negative social effects of gentrification.

Rent stabilization programs alone cannot prevent these undesirable social dynamics. Rent stabilization programs do not provide the long-run answer because they do not increase the supply of new affordable units. But rent stabilization programs *can* keep units which are barely affordable now from rapidly becoming unaffordable while programs to increase the supply of affordable housing are implemented and have time to work.

In all honesty, HB 2004 should be a no-brainer for Oregon legislators this year as you struggle to pass a budget. It gives local governments a fighting chance to do something effective about one of the serious crises we face -- runaway rent increases -- which the state legislature can do little about for the moment.

Sincerely,

Robin Hahnel