

Rent stabilization/control in Oregon - 2019

January 30, 2019

Preferred language

- Resident (instead of tenant)
- Rental or housing provider (instead of landlord)
- Rent stabilization or rent control (we suggest using the terms interchangeably)

Multifamily NW's Position on SB 608

- Multifamily NW opposes SB 608.
- Rent stabilization and rent control have significant negative impacts. Independent research shows that rent control/stabilization reduces supply, which is the opposite of what economists say is needed.
- This bill would make Oregon the first state in the nation to implement statewide rent control, and the results could end up making the housing crisis worse and hurting residents, not helping them.
- We need to incentivize the development of more units, not limit rental providers.
- Multifamily NW was not involved in drafting SB 608. We represent individuals, families, and businesses that provide more than 250,000 rental homes throughout Oregon, we are the largest association in our industry. We have expertise to share, and certainly we expected to be at the table for the drafting of this bill. The facts are:
 - Rent control leads to higher rents and fewer units over all.¹
 - Rent control can divert resources from low-income renters to those with moderate and even high incomes. This happened in San Francisco. A 2002 study found that a quarter of rent-controlled units were occupied by households with incomes over \$100,000 – far higher than the median household income at the time.²
 - Rent control leads to sub-par housing and cheaper units.³
 - Economists say we need more housing, not more regulations that limit housing.⁴ We need to incentivize the building of more units, not handicap rental providers. Economists say the best way to help struggling renters is through subsidies and tax incentives, not rent control.¹

Talking Points

The National Apartment Association has found these messages resonate well with the public. Please choose the ones that resonate with you and add your own relevant experiences. Additionally, the Multifamily NW one-pager, *Solving Oregon's Housing Crisis*, is available as a resource.

¹ 2017. *The Effects of Rent Control Expansion on Tenants, Landlords, and Inequality: Evidence from San Francisco*. Stanford University. http://conference.nber.org/confer//2017/PEf17/Diamond_McQuade_Qian.pdf

² 2002. *San Francisco Housing Databank*. Bay Area Economics <https://sfrb.org/sites/default/files/FileCenter/Documents/1867-introandsummary.pdf>

³ 2012. *Housing Market Spillovers: Evidence from the End of Rent Control in Cambridge Massachusetts*. National Bureau of Economic Research. <https://www.nber.org/papers/w18125.pdf>

⁴ <https://oregoneconomicanalysis.com/2017/12/14/why-housing-supply-matters/>

- Economists overwhelmingly agree that price controls on rent are inefficient, counterproductive and lead to serious negative impacts for housing markets.
- Capping rental rates and enforcing rent control have significant negative impacts on the condition and supply of existing rental housing.
- With limited ability to recover operational costs, owners may have to postpone or reduce investment in maintenance and improvements to rent controlled properties. This has a direct and negative impact on vendors and others who work for rental providers. Over time, this lack of investment expedites the deterioration of these buildings and eventually leads to the loss of critically-needed rental housing. When price controls on rental housing are lifted, however, significant new investment in maintenance and rehabilitation takes place.
- To preserve the quality and value of their properties, owners may convert rent-restricted units to condominiums, housing not subject to rent control or commercial property. This reduces housing supply.
- Rent control discourages the development of new rental housing which is crucial to restoring the balance between supply and demand in local housing markets.
- With no ability to earn a profit on their investment, developers are incentivized to take their dollars to other, non-rent-controlled states.
- By discouraging development and encouraging conversions, rent control effectively restricts supply, driving up housing costs.
- Rent control costs local governments critical revenue as the assessed value of rent-controlled properties decline, and with it, the property taxes they generate.
- This foregone revenue might be a worthwhile tradeoff if the primary beneficiaries of rent control were low-income families; however, the reality is that they are not.
- With almost no exceptions, rent control laws are not income-targeted, allowing anyone along the income spectrum to take advantage of rent restrictions, regardless of need. In fact, rent control can lead to increased gentrification and a decline in low-income residents.
- Administration and enforcement of rent control policies also require the creation of a large local government bureaucracy at a significant cost to the taxpayer for little benefit.

What does work? How can we help low-income residents in the short term *and* the long term? All of the examples below have been used successfully in cities and states across the U.S.

Short-term solutions can help residents pay their rent:

- Local public-private partnerships that connect low- and middle-income residents to vacant, market-rate units and pay the gap between the market-rate rent and the participant's rent payment through funds provided by the city, foundations and employers.
- Direct, resident-based rental assistance programs for low-income individuals.
- Housing grants for rental assistance to low-income residents.
- Emergency rental assistance programs for people with past-due rent or who need help paying their first month's rent or security deposits.
- Property tax credits to cover the difference between the actual rent amount and what the renter is responsible for paying.
- Property tax abatement for the development of new rental housing, or rehabilitation of existing rental housing that is occupied by low and moderate-income individuals.

- State tax credits for those who contribute to a dedicated fund for the development of low- to moderate-income housing.

Long-term solutions will ensure there are enough rental homes to keep prices down:

- Reduce regulatory impediments at the state and local level that stifle the development of affordable rental housing. This includes:
 - Creating tax incentives for developers building affordable housing,
 - Streamlining the permitting process, and
 - Getting the zoning right in each community so permitting is clear and quick.

Questions? Contact:

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