



PO Box 9780 Moscow ID 83843
Phone (208) 882-6280
Fax (208) 882-8707

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Senate Commerce and Human Resources Committee
RE: House Bill 545

Honorable Chair and Senators

I write this letter in support of House Bill 545. I have had the opportunity to work with Representative Mitchell on this bill, the concepts around it are good business practices. I am a co-owner of a property management company in Moscow, Idaho. We provide services to over 130 owners, approximately 250 buildings and close to 1400 doors. As a property management company, Palouse Properties currently has 19 units on Section 8 Housing vouchers and 11 additional units through a housing assistance program in Moscow.

I would like to provide information on this bill as it relates to thousands of property investment owners across the State of Idaho. HB 545 amends the current language of Section 55-307 of the Idaho Code to bar *"A local government unit such as a city or county from mandating Idaho property owners to be forced to participate in an optional federal housing assistance program or any other program or law that would otherwise regulate rent, fees, or deposits."* Lines 24-26 HB 545

The Section 8 voucher system in Idaho is administered by Idaho Housing and Finance, with the exception of the 9 Counties, Ada, Canyon, Owyhee, Elmore, Gem, Payette, Adams, Valley and Washington counties. The acceptance of Section 8 vouchers as designed in the HUD system, is at the option of the owner of the property.

I would like to point out that this bill has two different parts associated with it. First, it prohibits mandating participation in optional federal housing assistance programs and second, prohibits a local government unit from creating law that would regulate rent, fees or deposits.

Overall, there are a number of free market principals at play that support this legislation.

1. When owners are not able to increase rents to keep up with costs, they are less likely to develop in markets that have rent control. This lack of development can cause additional shortages of rental housing.
2. By capping rent prices, rent control decreases the value of a rental property and discourages investment in the rental market.
3. Smaller housing providers are often disproportionately impacted by rent control policies because they have fewer resources available to manage sharp operational cost increases.
4. Mandatory Section 8 Vouchers may reduce available affordable housing.
5. The rules of mandatory vouchers or rent control would be a patch work from community to community.

Specific to Section 8 Housing Vouchers

1. Vouchers increase the amount of administrative time required to service the lease on a unit.
2. Vouchers require a one year lease for a tenant as an initial application. After the first year, the lease can go month to month or the housing provider is required to create a new one year lease rather than a single page renewal document.
3. Some properties are not appropriate for section 8 vouchers, as an example, we manage properties built in the early 1900's. These properties would require significant renovation in order to pass a HUD required housing inspection, in some cases gutting the unit for a full remodel. This is cost prohibitive and the remodeled unit rental rate would be much higher, removing it from the market of affordable housing units.
4. Market rental rates are adjusted downward for items like older windows or properties with lower insulation values.
5. Small investment owners have less capacity to adjust for revenue based reductions.


Specific to Rent, Fees and Deposit

1. In the long term, regulating rent will increase the cost of rental housing.
2. Capping rental rates as a % of rent can cause a loss of net revenue based upon expenses.
3. A property owner has no control over increase expenses year to year such as increased water, sewer, sanction costs, increased maintenance costs, a reset of interest rates on commercial loans, increased taxes, new bonds and levies, increased insurance costs, increases on property assessments.
4. Capping rent prices reduces income which decreases the value of the property and discourages investment in rental properties.
5. Lower property values shifts the property tax burden to areas other than rental housing.
6. Lower revenue reduces funds available to maintenance and improvements.

Ultimately, mandatory Section 8 vouchers or rent controls would force increased costs in the rental market where these are applied. The State of Washington is currently considering a limit of 7% annual increase on rents for existing tenants. If costs for a provider on a unit increased greater than 7%, then all new tenants would bear the burden of the increased costs.

Thank you for considering this information.

Sincerely,



Dan Schoenberg
CO-Owner