

# Changes to Oregon's "No-Cause" Terminations and Rent Control

Senate Bill 608

In 2019, the Oregon legislature set out to combat the affordable housing crisis through implementing rent control and revamping the law surrounding no-cause terminations/evictions.

The legislative solution is found in SB 608 and became law, with an Emergency Clause, on February 28, 2019.

# Discussion Topics

- **Legislative Intent**
  - Arguments for SB 608
  - Arguments against SB 608
  - Political Considerations
- **Summary of SB 608 Provisions**
  - No-Cause Termination Restrictions
    - Termination of Month-To-Month Tenancies
    - Termination of Fixed-Term Tenancies
  - Restrictions on Rent Increases and Exceptions
  - Effective Date of SB 608
  - Penalties
- **Hypotheticals**

# SB 608 - Legislative Intent

- Senate Committee on Housing
- Sets out Particulars: for-cause evictions; no-cause evictions; exceptions for landlords; rent control; penalties.
- Issues Discussed:
  - Affordable housing crisis raising humanitarian concerns (rent control)
  - Experiences and concerns regarding use of no-cause evictions
  - Rent control and for-cause evictions – need both or either obsolete

# Arguments in Favor of SB 608

- Central Goals – Stability & Predictability for Tenants
- Biggest Problems – No Cause Evictions (stability) & Extreme rent spikes (predictability)
- Effects – Homelessness; child education; wealth building (barrier to home ownership); employment challenges/turnover; consistent medical care; investment in community
- Oregonian: “Reading, Writing, Evicted.” 50% turnover in some classrooms in single academic year due to student moves

# Arguments in Favor of SB 608

- Oregon Law Center:
- For-Cause Evictions: Protection of disproportionately effected classes of people: communities of color, single women with children, seniors, people with disabilities - groups most in need of protections (biases, required accommodations, etc.)
- Rent Control: Low-income persons/families - large rent increases tantamount to eviction; least able to find substitute housing

# Arguments in Favor of SB 608

- Will not stymie development (15-year exception)
- Equally fair to landlords (numerous eviction exceptions)
- Long-term tenants benefit Landlords (turnover, improve property)
- 7% rent increase cap appropriate (average Oregon rents increased at pace slower than 7% for last 10 +/- years)

# Arguments in Opposition to SB 608

- National Association of Realtors: Rent Control
- Reduces Quality & Quantity of Available Housing
- Quantity: Less incentive to invest or build new; convert existing units to other uses; actually exacerbates problem.
- Quality: Reduced incentive/funds to invest, maintain, repair.  
Incentive to improve unit between tenancies (for high starting rent), little incentive to maintain during tenancy.



# Arguments in Opposition to SB 608

- Dramatic increase in For-Cause evictions
- Possible increase in terminations at 1-year mark
- Prevents rent spikes, but doesn't actually control affordability
- Market will otherwise naturally correct without unintended legislative consequences

# SB 608 Political Considerations

- Housing shortage and homelessness a humanitarian crisis.
- Should private landlords be financially burdened or otherwise restricted in the use of their property to address what is ultimately a public problem?
  - Yes: If they choose to engage in a business providing fundamental basic needs to humans, they can and should expect reasonable regulation.
  - No: Property owners should be able to realize what the market will bear.

# No-Cause Termination Restrictions

## Month-to-Month Tenancies

- During the **first year of occupancy**, landlord can terminate without cause by giving 30-day notice.
  - “‘First year of occupancy’ includes all periods in which any of the tenants has resided in the dwelling unit for one year or less”
- After first year of occupancy, landlord can terminate only:
  - For cause;
  - For a qualifying landlord reason (There are four); or
  - “Three Strikes” (ORS 90.427(3)(c)(B))
- Tenant may terminate at any time during the tenancy with 30-day notice.

# No-Cause Termination Restrictions

## Fixed Term Tenancies

- During the fixed term, can terminate only for cause (No change).
- If fixed term is one year or less, landlord can terminate without cause at end of fixed term:
  - Must give written notice no less than 30 days prior to end of fixed term.
- If fixed term is more than one year or landlord does not terminate at end of fixed term:
  - Tenancy converts to month-to-month at end of fixed term; and
  - Landlord can terminate only for cause, pursuant to “three strikes” exception, or for qualifying landlord reason.

# “Three Strikes” Exception

- **ORS 90.427(3)(c)(B) and ORS 90.427(7):**
  - Tenant has committed three or more violations in 12-month period;
  - Landlord gave proper written warning at time of each violation; and
  - Landlord gives proper termination notice no less than 90 days prior to end of fixed term.

# Qualifying Landlord Reasons for Termination

**Reason 1:** Landlord intends to demolish the unit or convert the unit to a non-residential use.

- Must be done “within a reasonable time.”

**Reason 2:** Landlord intends to repair or renovate the unit and the premises is or will be unsafe or unfit for occupancy.

- Must be done “within a reasonable time.”

**Reason 3:** Landlord or landlord’s immediate family member intends to move into the unit.

- Will be primary residence; and
- Landlord does not own a comparable unit in the same building that is available.

# Qualifying Landlord Reasons for Termination (Continued)

**Reason 4:** Landlord accepted an offer to purchase from someone who intends to occupy as primary residence.

- Termination notice and “**written evidence of the offer to purchase**” must be given to tenant no more than 120 days after accepting offer to purchase.
- Practice tip: Prepare Addendum to provide to tenant that identifies the property, recites that an offer has been accepted, and states that the purchaser intends to occupy the property as his/her primary residence.

# Requirements for Termination Based on Qualifying Landlord Reason

- 90-day termination notice
  - Must specify the reason for termination
  - Must give facts in support of the reason for termination; and
  - Must state that rental agreement will terminate at a designated date not less than 90 days after delivery of the notice.
- Upon delivery of termination notice, must pay tenant one month's rent
  - Exception: A **“landlord** who has an ownership interest in four or fewer residential dwelling units” is not required to pay rent to the tenant.
  - **“‘Landlord’ means the owner, lessor or sublessor of the dwelling unit or the building or premises of which it is a part. ‘Landlord’ includes a person who is authorized by the owner, lessor or sublessor to manage the premises or to enter into a rental agreement.” (ORS 90.100(23))**



## Hypothetical 1

Johnny Rose owns a single-family home in Salem, where he lives, as well as a duplex in Salem that he rents. Stevie Budd manages the duplex for Johnny. Stevie owns five single-family residences of her own. Assume a 90-day termination notice is issued on behalf of Johnny to Johnny's tenants for a qualifying landlord reason under SB 608. Is Johnny required to pay the tenants one month's rent?

# Exception to No Cause Termination Restrictions

## **Tenancy at Landlord's Primary Residence (ORS 90.427(8))**

- Primary residence is a duplex or smaller.
- Unit occupied by tenant is located in the same building or on the same property as the landlord's primary residence.
- Can terminate month-to-month tenancy after first year with 60-day no-cause notice (30 if offer to purchase accepted and other requirements met).
- Can terminate fixed-term tenancy by giving no-cause notice during the fixed term and at least 30 days prior to end of fixed term.

# Restrictions on Rent Increases

## Cannot increase rent:

- During the first year after the tenancy begins (No change).
- At any time after the first year without 90-day notice (No change).
- By more than 7% + CPI above existing rent in any 12-month period.
  - 2019 limit on rent increase is 10.4%
  - 2020 limit on rent increase is 9.9%
  - [https://www.bls.gov/regions/west/news-release/2018/consumerpriceindex\\_west\\_20181011.htm](https://www.bls.gov/regions/west/news-release/2018/consumerpriceindex_west_20181011.htm)

## Warning:

- Landlord terminating during first year of tenancy or with 30-day no-cause notice cannot reset rent for next tenancy in amount greater than 7% + CPI above previous rent.

# More Restrictions on Rent Increases

## Rent Increase Notices Must Specify:

- Amount of the rent increase;
- Amount of the new rent;
- Facts supporting an exemption if the rent increase is above the 7% + CPI cap; and
- Date on which the increase becomes effective.



# Exceptions to Rent Increase Restrictions

- Certificate of occupancy issued less than 15 years from notice of rent increase; or
- Landlord is providing subsidized housing.

# SB 608 Effective Date and Penalties

- **Effective Date**

- No-cause restrictions apply to fixed-term tenancies entered into or renewed on or after February 28, 2019;
- No-cause restrictions apply to terminations of month-to-month tenancies occurring on or after March 30, 2019;
- Rent increase restrictions apply to rent increase notices delivered on or after February 28, 2019.

- **Penalties**

- Three months' rent;
- Actual damages incurred by tenant as a result of the tenancy termination;
- Attorney fees and costs.

# Hypotheticals

## Hypothetical 2

Lawful Landlord Leasing, LLC  
90323 Statutory St.  
Salem, OR 97301

February 20, 2020

Tiffany Tenant  
90 Prevailing Pkwy., Unit 255  
Salem, OR 97305

Delivered via posting and  
US First Class Mail on 02/20/2020

RE: 90-day notice of change of monthly rent.

Dear Ms. Tenant,

Thank you for your continued tenancy at 90 Prevailing Pkwy., Unit 255. After reviewing the income and expenses for maintaining the property, we find it necessary to increase your rental rate.

You are hereby notified that effective May 25, 2020, your monthly rent, which is payable on or before the first of each month, will be \$1,175 instead of \$950, the current monthly rent.

Except as herein provided, all other terms of your tenancy shall remain in full force and effect. If you have any questions please call our office at (503) 684-3763.

Regards,

*Lucy Lessor*

Lucy Lessor  
Manager for Lawful Landlord Leasing, LLC



## Rent Increase Notice Questions

1. Are there 90 days (plus 3 for mailing, if applicable) between the date the notice was issued and the date the rent increase takes effect?
2. Does the notice state the amount of the rent increase?
3. Does the notice state the amount of the new rent?
4. For rent increases taking effect in 2020, is the rent increase no more than 9.9%?

### Hypothetical 3

Tim Tenant saw a property he liked in Salem, Oregon that Landlord said he would rent to Tenant for a fixed lease term. Tenant signed a lease from June 1, 2018 to June 1, 2019 for \$1,500 per month. On April 1, 2019 Landlord asked Tenant to sign a new lease through June 1, 2020. Tenant did not want to sign a new lease and instead asked if he could rent the property on a month to month basis. Landlord refused and posted a notice of eviction on the property that day in compliance with the terms of the lease for Tenant to move out on June 1, 2019. Tenant remained in possession of the property on June 2, 2019. Tenant paid \$1,500 for June rent on June 1, 2019. Landlord did not cash the check.

1. Can Tenant continue to rent the property for \$1,500 per month on a month-to-month basis?
2. Can Landlord evict Tenant at the end of the lease on June 1, 2019?

## Hypothetical 3a

Tim Tenant saw a property he liked in Salem, Oregon that Landlord said he would rent to Tenant for a fixed lease term. Tenant signed a lease from June 1, 2018 to June 1, 2019 for \$1,500 per month. On April 1, 2019 Landlord asked Tenant to sign a new lease through June 1, 2020. Tenant did not want to sign a new lease and instead asked if he could rent the property on a month to month basis. Landlord refused and posted a notice of eviction on the property that day in compliance with the terms of the lease for Tenant to move out on June 1, 2019. Tenant remained in possession of the property on June 2, 2019. Tenant paid \$1,500 for June rent on June 1, 2019. Landlord did not cash the check.

*\*Now assume the lease terminated on May 30, 2019 rather than June 1, 2019.*

1. Can Landlord evict Tenant on May 30, 2019 for failing to sign a new lease with a notice on April 1, 2019?
2. Would Landlord owe Tenant any money (other than security deposit) if Landlord evicted Tenant on May 30, 2019?

## Hypothetical 3b

Tim Tenant saw a property he liked in Salem, Oregon that Landlord said he would rent to Tenant for a fixed lease term. Tenant signed a lease from June 1, 2018 to June 1, 2019 for \$1,500 per month. On April 1, 2019 Landlord asked Tenant to sign a new lease through June 1, 2020. Tenant did not want to sign a new lease and instead asked if he could rent the property on a month to month basis. Landlord refused and posted a notice of eviction on the property that day in compliance with the terms of the lease for Tenant to move out on June 1, 2019. Tenant remained in possession of the property on June 2, 2019. Tenant paid \$1,500 for June rent on June 1, 2019. Landlord did not cash the check.

*\*Now assume the lease had a provision that increased rent to \$1,650 per month on June 2, 2019 and automatically renewed the lease if Tenant was still on the premises on June 2, 2019. Assume Landlord chose not to continue with eviction of the Tenant.*

1. Would Tenant have to pay the increased rent amount effective June 2, 2019?
2. Can Tenant stay in the property on a month-to-month basis, or would Tenant be locked into another year lease?

### Hypothetical 3c

Tim Tenant saw a property he liked in Salem, Oregon that Landlord said he would rent to Tenant for a fixed lease term. Tenant signed a lease from June 1, 2018 to June 1, 2019 for \$1,500 per month. On April 1, 2019 Landlord asked Tenant to sign a new lease through June 1, 2020. Tenant did not want to sign a new lease and instead asked if he could rent the property on a month to month basis. Landlord refused and posted a notice of eviction on the property that day in compliance with the terms of the lease for Tenant to move out on June 1, 2019. Tenant remained in possession of the property on June 2, 2019. Tenant paid \$1,500 for June rent on June 1, 2019. Landlord did not cash the check.

*\*Now assume Landlord lives in a duplex as his primary residence and is renting the other half said duplex to Tenant. Assume the duplex in question is the only residential property Landlord owns.*

1. Can Landlord evict Tenant on June 2, 2019 with a notice on April 1, 2019?
2. Must Landlord pay Tenant one month rent if he terminates the tenancy effective June 2, 2019?