



Dan Acton
House Bill 562 Opponent Testimony
House Civil Justice Committee
December 3, 2020

Chairman Hambley, Vice Chairman Patton, Ranking Member Brown and members of the committee, my name is Dan Acton and I am the Government Affairs Director of the Ohio Real Estate Investors Association (OREIA). OREIA represents 13 local chapters across Ohio with nearly 3,000 members consisting of the smaller real estate investors and housing providers who typically own single family housing units. My background has been more than 30 years in the property management and ownership industry. I am here to provide opponent testimony regarding House Bill 562, which seeks to prohibit foreclosure activity and eviction of residential and commercial tenants during the COVID-19 state of emergency.

OREIA members typically own single-family housing units.

- Our members own exponentially more units than the number of members we maintain.
- Our members in many instances own a portfolio of properties, sometimes as few as 3-4 and as many as over 200 properties.
- The properties are typically single-family homes, up to quads and sometimes smaller apartment buildings, with a few owning some commercial investments.
- There are a variety of loans that are taken out on properties. Many times, an investor will take equity from one property to assist in making repairs to other investment properties.
- Investors operate on razor thin profit margins for a property.
- Our members invest in neighborhoods and we want strong returns on our investments, which comes from improved property valuations.

An unexpected repair, a resident who does not pay rent, terminates a lease early or vacates without notice, unpaid water bills, or any layering of government fees that

we are subjected to reduce the profits for a property owner that could otherwise be used to reduce the overall debt on the property or make improvements. The pandemic and the resulting eviction moratoria and payment delays are leaving our members at the brink of failure.

The current COVID-19 pandemic and the many effects on the economy are not lost on our membership; we are impacted as well as business owners, small business owners in most circumstances. Since the onset of the virus and the immediate interruption to the economy, we have been staying in contact with our residents and doing business the “Ohio Way”. We are treating our residents with respect, compassion, dignity and as neighbors. Our members are discussing with residents a variety of options including payment plans, dismissing any late payments, accepting credit cards, making significant exceptions of partial payments of rent and, in many circumstances, not collecting rent at all. We know that some property owners will not take this tactic just as we know some renters will take advantage of our members’ charity. The months since mid-March have been the true test of the rental property system in Ohio as many rents, and I would also note utility payments, especially water and sewer bills, have gone unpaid or partially paid.

These are unprecedented and unusual times. It would be dangerous for the government to interfere so forcefully in an executed private contract, even in times of emergency and exigency. We understand that evictions are dramatic for residents and housing providers and our members do not engage in them lightly. However, the ability to conduct an eviction is also a matter of safety. There are circumstances when an eviction is warranted, especially in situations of the presence of violence in the household. One of the unforeseen consequences of preventing evictions could prohibit a housing provider from renting the unit for upwards of five months, which strains revenue flow and creates a housing crunch by keeping a paying resident from taking occupancy. Couple the forced eviction moratorium at the federal level (in effect until 12/31/2020) with the state government required water and sewer non-disconnect orders for lack of payment and Ohio’s housing providers got a double hit. Many of you may not know that unpaid water and sewer bills (in a pandemic or not) are assigned to the property, not to the contractually responsible resident, and the property is liened for non-payment of water and sewer services. Liens must be paid in full before service can be restarted for a property and a new resident/customer. We predict that we will be flooded with property liens because lessees will not be able to pay and housing providers are easy targets for water departments.

If a housing provider is prevented from conducting an eviction until after the state of emergency if House Bill 562 is enacted that provider is at risk of defaulting on their mortgage loan and could put a housing unit or housing portfolio at risk of being foreclosed upon because financial resources from rents are not sufficient to cover their costs; thereby, putting a large number of Ohio citizens without access to stable housing.

I would note that OREIA was a coalition member organization urging the DeWine Administration to allocate CARES Act dollars for housing assistance and utility relief. We appreciate that the \$50 million in CARES Act funds were made available on November 2nd; however, many groups have indicated that this is simply not enough to make a dent in the tremendous need or the threshold not high enough for residents to participate. We do appreciate that the assistance dollars are requested by the lessee and then paid directly to the lessor.

I would also ask you to consider a recent housing study that identified two major Ohio cities as becoming “majority renter-occupied” in the past decade. Dayton and Toledo went from having a majority of owner-occupied households to a majority of renter-occupied households from 2010 to 2018 according to a report released by RentCafe. The report, based on Census Bureau statistics, found that the share of renter-occupied households in Dayton rose from 46.6% (2010) to 56.5% (2018) and in Toledo the share rose from 40.9% to 50.2%. We anticipate that this number will rise even further with the results of the 2020 Census. Ohio cannot afford to add a housing crisis to the economic issues caused by COVID-19.

OREIA members are not seeking special treatment in this crisis. We are simply asking that a reasonable and business-like approach is used to address this problem. Our members are doing the right thing; it would be dangerous to have the state intervene in this area of contract law. As outlined above our members are making accommodations for their residents. Passage of this bill will inevitably draw a legal challenge in state court and match court cases filed in U.S. District Court for the Northern District of Ohio seeking to overturn the Centers for Disease Control and Prevention eviction moratorium order halting many evictions through December 31st.

We stand steadfast in our opposition of any attempts of the government to interfere in a private contract. OREIA appreciates your consideration of our position and stand ready to discuss this matter further if necessary.