

Small Landlord Roundtable

Seattle City Council
Economic Development Committee Meeting
3/22/23



What's Unique about Small Landlords

How do small housing providers (< 20 units) differ from larger landlords?

1. Provide diversity of housing stock

- Single-family houses, duplexes/triplexes, small apartment buildings, ADUs/DADUs, shared housing

2. Provide a substantial portion of below-market rate housing options

3. Favor tenant stability and have less frequent turnover

4. Fewer units across which to spread risk

- **Financial risk**

- Impacts to personal credit and financing, mortgage default, inability to maintain property
- [2018 survey](#): 59% of Seattle landlords reported total income (rental and non-rental) < \$75,000
- Intimidated by high-dollar regulatory penalties

- **Legal risk**

- Direct exposure to regulatory compliance, lease violations, property damage, lawsuits, evictions
- No “right to counsel” for low-income owners, nor for owners taken advantage of by bad actor tenants

- **Personal risk**

- Do not have buffer of corporate management/maintenance/legal staff
- Direct exposure when problems arise in landlord-tenant relationship (e.g., living in proximity, going on-site to address maintenance issues, serving notices)

What's Unique about Small Landlords, continued ...

How do small housing providers differ from large/corporate landlords?

5. Many live locally and have connection to community

- More directly involved in tenant selection and rent-setting
- Offer more flexible screening criteria (prior to First-in-Time)
- Contribute to local economy

6. May use rental housing as a means of affording their own primary home

- Rental income from duplex, ADU or shared housing can help individuals/families qualify for primary mortgage and build equity

7. May be “situational” or “circumstantial” landlords

- Rent out their property for a period of time due to job location change, marriage/divorce, aging in place, inheritance, etc.
- Options for local housing otherwise not available to renters

8. More likely to exit the residential rental market

- May sell or use property for other uses if regulations are too risky, unpredictable or onerous

Landlord-Tenant Law 1973-2016 – 43 years

1973 – WA Residential Landlord Tenant Act

1981 – Seattle Just Cause Eviction

1989 – WA Deposit Accounting

1990 – Seattle Tenant Relocation for Substantial Rehab or Demolition

1993 – Seattle Tenant Info Packet

1998 – Seattle 60 Day Notice Rent Increase

2004 – Seattle Third Party Utility Billing

2013-2016 – Seattle RRIO Implementation

... average of 2 new laws every 10 years

Explosion of New Laws 2017-2022 – 6 years

- 2017 – Seattle First In Time Law
- 2017 – Seattle Security Deposit Cap
- 2017 – Seattle Move-In Cost Installments
- 2017 – Seattle Criminal Records Ban
- 2017 – Seattle Tenant Packet/Voter Registration
- 2018 – Seattle Source of Income Law
- 2019 – Seattle DV Property Damage
- 2019 – Seattle Notice of Intent To Sell
- 2019 – WA Extend Pay or Vacate 14 days
- 2020 – Seattle Roommate Ordinance
- 2020 – Seattle Winter Eviction Ban
- 2020 – WA Holding Deposit Limit
- 2020 – WA Late Fee after 5 Days
- 2020-2022 – COVID Eviction Ban nearly 3 years
- 2020 – WA ERPP/Major Eviction Revisions
- 2020 – WA Fixed-Term Lease Revisions
- 2020 – COVID Nonpayment History Prohibited
- 2021 – Seattle Fixed-Term Lease Mandatory Renewal
- 2021 – Seattle School-Year Eviction Ban
- 2021 – Seattle & WA Tenant Right to Counsel
- 2021 – Seattle 10% Rent Increase Relocation Assistance
- 2021 – Seattle COVID Hardship Eviction Defense
- 2021 – Seattle 180 Days Rent Increase
- 2022 – Seattle Limit COVID Repayment Plans
- 2023 – Seattle Late Fee Cap/Notice Fee Prohibited?
(pending)

24+ laws in 6 years, and counting ...

RRIO Data (July 2018 - August 2022)

Significant loss of small rental properties in Seattle's registry in last 4 years

WHAT WE SEE WITH RRIO

Size Class	July 2018		May 2020		August 2022	
	Properties	Units	Properties	Units	Properties	Units
Single Unit	21174	21174	23853	23853	18740	18740
2 to 4 Units	5145	13529	5420	14156	4072	10678
5 to 20 Units	3239	30951	2824	27394	2536	24951
21 to 50 Units	877	27503	829	26069	805	25353
51 to 99 Units	286	20112	290	20482	307	21633
100 to 199 Units	155	21291	164	23108	169	23428
200+ Units	71	19869	87	25517	100	29110
TOTAL	30947	154429	33467	160579	26729	153893

How this 4-year timespan of data was chosen:

- July 2018 is the earliest reliable RRIO data available for all sizes of properties (the program was rolled out in waves, beginning 2013, starting with larger properties).
- August 2022 is the most recent data snapshot provided by SDCI.
- RRIO data fluctuates daily and is available via the City's [Open Data Portal](#). As of 3/16/23, small landlord registrations continue trending down: single-unit = 18,690; 2 to 4 units = 10,643.



14% net loss of rental properties

RRIO Unit & Property Counts from SDCI

	July 2018	August 2022		
Units by Size Class* Groupings	# of Units		Units Lost / Gained	
1 to 20 Units	65,654	54,369	-11,285	-17%
Share of units in all size classes	43%	35%		
21 to 200+ Units	88,775	99,524	10,749	12%
Share of units in all size classes	57%	65%		
Units by Size Class* Breakdown	# of Units		Units Lost / Gained	
Single Unit	21,174	18,740	-2,434	-11%
2 to 4 Units	13,529	10,678	-2,851	-21%
5 to 20 Units	30,951	24,951	-6,000	-19%
21 to 50 Units	27,503	25,353	-2,150	-8%
51 to 99 Units	20,112	21,633	1,521	8%
100 to 199 Units	21,291	23,428	2,137	10%
200+ Units	19,869	29,110	9,241	47%
Properties by Size Class*	# of Properties		Properties Lost / Gained	
1 to 20 Units	29,558	25,348	-4,210	-14%
21 to 200+ Units	1,389	1,381	-8	-1%

* RRIO Size Class is the number of rental units registered by an owner at a single property in a single registration. Smaller size classes include houses, condos, ADUs, DADUs, duplexes, apartments, and other unit types. Larger size classes are large apartment buildings.

RRIO Data (July 2018 - August 2022), continued ...

Significant loss of small rental properties in Seattle's registry in last 4 years

Added gain of units in large buildings (10,749) canceled out by loss of units in small buildings (11,285)

- Despite all the construction cranes and tall new buildings, Seattle is losing rental housing
- Seattle needs increases in all sizes of rental inventory, but has losses of “missing middle” rental registrations

Share of small rentals dropped from 43% of rental housing to just 35%

- 17% decrease in the kinds of units owned by smaller landlords (1-20 units)
- 11.5% decrease in single-unit rentals
- 21% decrease in 2- to 4-unit rentals
- Significant loss of family-size rentals (2+ bedrooms) and other diverse housing types

Share of large rental properties increased from 57% of the market to 65%

- 12% increase in units by large owners (21-200+ units)
- Vast majority are 1-bedroom or studios (not family-size)

Obstacles & Deterrents

What issues are contributing to the decrease in small rental providers?

Increasingly Complex & Layered Regulatory Environment

- City and state regulations = complex, out of sync, rapidly changing
- Cumulative effect = more than each individual regulation
- Significantly higher risks; greater legal/financial resources required

Lack of Analysis

- City doesn't adequately assess impacts of new regulations
- No accountability for whether new regulations achieve intended outcomes
- No mitigation of unintended and cumulative impacts

Lack of Information / Support

- Inadequate resources and information for small landlords
- No designated department/staff for small housing provider support or advocacy
- SDCI = compliance/enforcement (not staffed for "non-urgent" landlord questions)

Lack of Engagement / Outreach

- No framework for small landlords to provide input or feedback

Negative Rhetoric

- Some public officials and other stakeholders perpetuate negative, polarized stereotypes
- "Us vs Them" approach conveys that housing provider feedback is not wanted or valued

Fines & Penalties

- Potential penalties for violating rental housing market regulations are steep
- Example: first-time civil penalty for First-in-Time violation is \$11,000
- Even if rarely applied, threat of large penalties dissuades small providers

Court Access

- While most small landlords prefer to resolve issues outside of court, access to legal system is important backstop for unsafe/untenable tenancies
- Court proceedings for new regulations are drawn out, expensive and lack consistency or predictability

Lack of Public Safety Support

- In extreme cases, police support is needed to handle dangerous tenant situations
- Small landlords report having difficulty securing a public safety response
- Impacts on safety for landlords, other tenants and neighbors

Roundtable Discussion and Q&A

Roundtable Participants

- MariLyn Yim
- Jim Yearby
- Rizwan Samad
- Christopher Cutting
- Ayda Cader



Looking Forward

Key Take-Aways

- Seattle needs to retain existing housing and build more new housing but is losing affordable small rentals
- Small-scale rentals provide economic benefits & opportunities to renters, owners, and the community at large
- Current barriers, risks and policy approaches are untenable for a stable or thriving small-rental environment

Call to Action — Review & implement recommendations from the [Small Landlord Stakeholder Report](#) (December 2022)

Related Links

Key Resources — Seattle

- [2022 Small Landlord Stakeholder Group Report](#) – If you have time for one document, this is the one. A 21-page report completed in Fall 2022 with a wealth of constructive suggestions
- [City of Seattle 2022 ADU Annual Report](#), March 2023 — Seattle ADU rents average well below typical one-bedroom rent
- [City of Seattle 2020 RRIO Report](#), August 2021 – Seattle’s total rental registrations decreased by 14.4 percent from 2019 (loss of 4,858 registrations)
- [City of Seattle Sept 2020 Equitable Development Community Indicators Report](#) — On page 37-38, highlights Seattle’s lack of family-size rental housing
- [Important Findings from 2018 Seattle Rental Housing Survey](#), Seattle Grassroots Landlords, May 2021 — highlights negative impacts on rental housing and need for outreach and collaborative data
- [Seattle Small Landlords & the Legislative Tsunami: A Five-Year Recap](#), Seattle Grassroots Landlords, May 2021 — Seattle Council has continued to pass rapid regulatory changes without housing provider input

Key Resources — National

- [How have landlords responded to the pandemic and what are the implications of their behaviors?](#), Urban Institute “Opportunity in the Crisis” Panel, 10/1/21 — Emphasizes importance of preserving small landlord-owned housing, critical to affordability; outreach to mom-n-pops should happen early and often
- [Findings and Lessons from Two National Surveys of Landlords](#), Turner Center for Housing Innovation, UC Berkeley, 9/29/21 — Small-scale landlords reported more substantial losses; pandemic stress has increased likelihood of selling and jeopardized supply of naturally affordable rentals
- [Affordable Housing without Public Subsidies: Rent-Setting Practices in Small Rental Properties](#), Journal of the American Planning Association / UC Berkeley, Nathaniel Decker, September 2020 — Nearly half of small rental owners surveyed nationwide set rents below market, often substantially so; supporting small rental-properties could be means for municipalities to realize housing affordability goals.
- [Black and Hispanic landlords are facing great financial struggles because of the Covid-19 pandemic](#), Urban Institute, Goodman and Choi, 9/4/20 — Policies that harm small landlords have even deeper impacts for BIPOC landlords

Recent News Links

- [Newly Built Apartments Keep Getting Smaller](#), Rental Housing Journal, 2/16/23 — New apartment sizes in Seattle are smallest in U.S. (Seattle’s new “multi-family” developments don’t include “family sized” rental housing)
- [Seattle leads US in growth of high-income renters, report says](#), PSBJ, 2/12/23 — The number of high-income renters (those who earn at least \$150,000 a year) has increased nationwide but nowhere as fast as Seattle
- [Seattle sees steepest rent declines among major U.S. metros](#), Axios, 1/18/23 — Seattle saw the steepest monthly decline in rent among major metros in December, based on a [Zillow report](#)

Missed Opportunities

- [One Seattle Comprehensive Plan 2022 Planning Documents](#): Environmental Impact Statement (EIS) Scoping Report, Issue Briefs, and other project docs, November 2022 — No rental housing stakeholders/advocates or “missing middle” rental viability issues included.
- [City of Seattle Market Rate Housing Needs and Supply Analysis](#), April 2021 — Contains no mention of small rental housing providers, with none mentioned in the Jan 2020 Public Engagement Summary either. No reflection on how multitude of new regulations are impacting rental housing supply, diversity and affordability.
- [Disaster Gentrification in King County](#), Puget Sound Sage, May 2021 — only miniscule mention of small landlords; no recognition that rental income has traditionally been one option for small-scale property owners to avoid displacement and to build equity over time
- Boards & Commissions (e.g., Equitability Development Initiative Advisory Board, Seattle Planning Commission, Renters’ Rights Commission, and other city-sponsored groups do not have inclusion or consideration for small landlord advocacy