

March 7, 2018

MEMORANDUM

To: Housing, Health, Energy, and Workers' Rights Committee Members
From: Asha Venkataraman, Council Central Staff
Subject: CB 119198: Prohibiting Use of Rental Housing Bidding Platforms

On March 8, 2018, the Housing, Health, Energy, and Workers' Rights (HHEWR) Committee plans to discuss and vote on [Council Bill \(CB\) 119198](#), sponsored by Councilmember Mosqueda. The HHEWR committee discussed a draft version of this bill at its meeting on February 15, 2018. CB 119198 prohibits landlords and renters in the City from using rental housing bidding platforms for one year. Rental housing bidding platforms such as [Rentberry](#) or [Biddwell](#) are sites for online auctions that allow landlords to list available rental units and potential tenants to bid on those units. Landlords can then choose the tenant based on their bid and other application materials submitted. CB 119198 requests that the Seattle Department of Construction and Inspections (SDCI) and the Seattle Office for Civil Rights (SOCR) study whether such rental bidding platforms comply with Seattle's rental regulation and fair housing laws, administered by SDCI and SOCR respectively. It also requests that SOCR and SDCI conduct an analysis of the impact such platforms have on Seattle's housing market. This memorandum describes the purpose of CB 119198, the specifics of the bill, and proposed amendments.

CB 119198 Overview

In January 2018, the Associated Students of the University of Washington (ASUW) sent Councilmembers an ASUW legislative directive, which called for a ban on setting apartment rents using online bidding services. ASUW's concerns centered on the potential for increasing the cost of housing for university students, which could result in more homeless students, given studies of how these types of services impact competitive housing markets.¹ ASUW presented its concerns at the February 15, 2018 meeting of the HHEWR committee.

After being made aware of this issue, Councilmember Mosqueda focused on three main purposes for CB 119198: (1) to study whether these types of services are compliant with the City's current laws; (2) to give the City time to create a regulatory framework if necessary before use of such services proliferates; and (3) to determine current and potential impacts on Seattle's housing market. CB 119198 accomplishes the first by requesting SOCR and SDCI to study whether use of these platforms comply with the City laws that SOCR and SDCI administer. SOCR enforces [Fair Housing protections](#), which include [first-in-time](#) protections. First-in-time

¹ There are several studies cited in ASUW's legislative directive that indicate auctions can drive up the price of residential sale prices. The study requested may be able to clarify if the study results can be extrapolated to the rental market and if the conditions in the locations studied are similar enough to Seattle to provide an appropriate comparison.

requires a landlord to offer a rental unit to the first applicant who meets the landlord's advertised screening criteria. SDCI enforces [rental agreement regulations](#) and [the housing code](#). It is not currently clear whether these platforms are compliant with these laws. CB 119198 accomplishes the second by prohibiting landlords and potential tenants from using rental bidding platforms for one year, so that the City can determine if and how it wants to regulate these platforms. SDCI will enforce this prohibition under existing enforcement provisions in Seattle Municipal Code (SMC) Chapter 7.24. Lastly, CB 119198 accomplishes the third focus by requesting SOCR and SDCI study or select a third party to study the impact on housing markets, so the City is aware of the effects of platforms such as these on Seattle's housing market.

Proposed Amendments

Amendment text is provided in Attachment A.

Amendment 1, sponsored by Councilmember Mosqueda

This amendment adds recital language about the equity implications of rental bidding platforms and revises recital language to make clear the bill is concerned with rental housing markets, not residential sales.

This amendment also clarifies Section 3 of the legislation, specifying which departments and offices Council is requesting conduct studies. The amended language makes clear that the Office of Housing (OH) will be coordinating with SOCR and SDCI to study compliance with current City law, and conducting a study about the current and potential impacts that rental housing bidding platforms have or could have on equitable access to the City's rental housing market. This section asks OH to submit the study to the HHEWR committee within one year of CB 119198's enactment.

Amendment 2, sponsored by Councilmember Juarez

This amendment adds an option for Council to extend the prohibition against use of these platforms for up to an additional twelve months if OH believes more time is necessary to complete the study requested by Council or Council needs more time to review the study and consider potential action.

Attachments:

- A. Proposed Amendments to CB 119198

cc: Kirstan Arestad, Central Staff Director
Amy Tsai, Supervising Analyst

Attachment A: Proposed Amendments to CB 119198

Amendment 1, sponsored by Councilmember Mosqueda

WHEREAS, online or application-based platforms that: provide landlords the ability to list ~~housing~~-rental housing units, oblige potential tenants to bid on certain lease provisions, and allow landlords their choice of tenant based on the tenant's bid and screening criteria, have recently appeared in many housing markets, including Seattle's; and

WHEREAS, over the past several years, the City Council has passed a variety of amendments to the Seattle Municipal Code regulating rentals, revising the housing code, and updating fair housing protections, resulting in a new and different regulatory landscape; and

WHEREAS, emerging technologies have caused consumers to rapidly escalate the use of application based and online services, and it is unclear whether the structure and operation of these new services comply with the City's code, including new regulations such as first-in-time; and

WHEREAS, Seattle's housing market has become very competitive over the past decade, causing scarcity issues for tenants ~~and concerns City-wide about housing affordability~~; and

WHEREAS, it is uncertain whether and how these services impact Seattle's rental housing market, as these services may have different effects on markets depending on the scarcity of housing supply; and

WHEREAS, the benefits and drawbacks of such services to landlords and tenants have not been studied in Seattle; and

WHEREAS, the City of Seattle is committed to ensuring equitable access to rental housing, and platforms that require use of a computer and internet in order to access rental housing may hinder the ability for certain communities to meaningfully identify and obtain needed housing; and

WHEREAS, the Council wishes to understand new technologies and innovation that may have impacts on communities throughout Seattle prior to these new technologies and innovations becoming entrenched without regard to whether their impacts are in line with Seattle's values of equity and Seattle's work toward expanding access to rental housing; and

WHEREAS, the Council wishes to know more about how these services function and the impact they may have on Seattle's rental housing market before allowing landlords and tenants to use them within the City; NOW, THEREFORE,

* * *

Section 3. The City Council requests that the Office of Housing coordinate with the Seattle Office for Civil Rights ~~work with~~ and the Seattle Department of Construction and Inspections, to conduct or select a third party to conduct a study of to determine whether rental housing bidding platforms comply with The City of Seattle's fair housing and rental regulation laws and conduct a study of and the current and potential impacts rental housing bidding platforms have and could have on equitable access to Seattle's rental housing market of allowing landlords and tenants to use such services within Seattle city limits. The Office of Housing shall submit the ~~The study shall be submitted to City Council by _____,~~ which should include compliance determinations by the Office for Civil Rights and the Department of Construction and Inspections, to the Chair of the Housing, Health, Energy, and Worker's Rights Committee of

City Council within twelve months of enactment of the ordinance introduced as Council Bill

119198.

Amendment 2, sponsored by Councilmember Juarez

Section 2. A new Section 7.24.090 is added to the Seattle Municipal Code as follows:

7.24.090 Use of online or application based rental housing bidding services prohibited

A. Landlords and potential tenants are prohibited from using rental housing bidding platforms for real property located in Seattle city limits.

B. This Section 7.24.090 shall expire one year after the effective date of the ordinance introduced as Council Bill 119198 unless Council exercises its authority under subsection 7.24.090.C, in which case it shall expire at the end of the extension.

C. Council has the authority to extend the prohibition in subsection 7.24.090.B by up to twelve months if the Office of Housing requests more time to complete the study of rental housing impacts, or if Council needs more time to review the study or discuss potential action.