

June 28, 2023

MEMORANDUM

To: Sustainability and Renters' Rights Committee
From: Asha Venkataraman and Jennifer LaBrecque, Analysts
Subject: Council Bill 120606: Residential rent control

On June 30, 2023, the Sustainability and Renters' Rights Committee will discuss [Council Bill \(CB\) 120606](#) to limit residential rent increases in Seattle upon repeal of the statewide prohibition against regulating rent. This memorandum provides background on the legislation, describes CB 120606, analyzes policy choices, and lays out next steps.

Background

In recent years, Seattle's rental market, and particularly affordable housing, has been more competitive for an increasing number of renters, with the number of renters outpacing availability of affordable units. In 2019, for the first time in over 100 years, renters made up more than 50 percent of total Seattle residents.¹ Of renter households, 50 percent of renters are at or below 80 percent average median income (AMI) as compared to 21 percent of owner-occupied households.² Rental prices in Seattle have continued to increase year over year. According to American Community Survey data, the median Seattle rent increase has increased by 15 percent between 2017 to 2021 from \$1,555 to \$1,787. The average ten-year change in rent for the Seattle-Tacoma-Bellevue area was 91.8 percent, between 2010 and 2020.³ The median Seattle rent increased by 80 percent between 2010 and 2021, with 2010 rents at \$990.⁴

This policy is intended to limit rising rents to allow more tenants to access affordable housing and achieve housing stability.

SDCI would enforce this legislation, and the City Attorney's Office and Office of the Hearing Examiner have roles in enforcement and appeals, respectively.

[RCW 32.21.830](#) provides that "[n]o city or town of any class may enact, maintain, or enforce ordinances or other provisions which regulate the amount of rent to be charged." While this regulation is effective, Seattle is preempted from instituting any controls on rent, including what CB 120606 does, which is to limit annual rent increases to inflation.

¹ Balk, G., "For the first time in 100 years, Seattle renters outnumber homeowners," Seattle Times (Jan. 2, 2021), *available at* <https://www.seattletimes.com/seattle-news/data/for-the-first-time-in-100-years-seattle-renters-outnumber-homeowners/> (citing Census data).

² BERK, "Market Rate Housing Needs and Supply Analysis," (2021), P 17, *available at* [Seattle Market Rate Housing Needs and Supply Analysis](#).

³ Bringle, L., "Cities With the Biggest Increase in Rental Prices the Past Decade," *Self* (Oct. 13, 2020) (conducting an analysis of HUD and U.S. Census Bureau data), *available at* <https://www.self.inc/blog/cities-biggest-increase-rental-prices>.

⁴ [Data \(census.gov\)](#), Table B25064 (median gross rent, ACS 1 -year estimates); 2022 data is not available as of publication of this memorandum.

There are various terms for regulation of rent, including “rent control,” “rent stabilization,” “rent freeze,” etc. For the purposes of this legislation, the term rent control refers to the limitation on increasing rent by a specific percentage on an annual basis.

CB 120606

This legislation would add a new chapter 7.28 to the Seattle Municipal Code to establish a maximum annual limit on rent increases based on the annual rate of inflation. This section will describe the following major provisions in CB 120606:

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1. Effectiveness of the Legislation (Sections 5 and 6)

Washington State currently prohibits any city from regulating the amount of rent to be charged. If CB 120606 passes, and the state prohibition is repealed and no other rent control regulations that would apply in Seattle are enacted, landlords would be immediately prohibited from raising rents or deposits in Seattle for 18 months. After 18 months, the rent control program defined in Sections 1, 2 and 3 of this bill would go into effect.

If the prohibition against regulation of rent is repealed and the state does enact rent control laws that would preempt application of the operative sections of this legislation, then Sections 1, 2, and 3 would not go into effect.

There is some potential that if and when the State repeals the prohibition on regulation of rents that it may enact other regulations that create differences between State regulations and what the City has adopted in CB 120606. Those differences may not rise to the level of preemption, which as described above, would preclude this legislation from going into effect, but they could make the policy or implementation confusing or inconsistent. The 18 months between when a rent freeze would begin and when the rest of the legislation would go into effect is intended to give a future Council the time to amend the legislation to correct for any inconsistencies or make other policy changes.

2. Applicability to types of housing units (Section 7.28.040)

Rent control limitations would apply to all rental housing units in the City, except for the following:

- Short-term rentals (as defined in SMC [Section 23.84A.024](#));
- Transient lodging (hotels, motels, etc.);
- Emergency/temporary shelter and transitional housing;
- Government- or housing authority-owned units; and
- Any other rental housing units exempted from City regulations.

The limit on rent increases applies to a rental housing unit rather than a tenancy, so all rent increases must be consistent with the limitations in the legislation, regardless of whether the tenancy changes. This kind of coverage is called vacancy control, discussed later in this memo.

3. Calculation of the Limitation on Rent Increases (Sections 7.28.050 - .070)

Section 7.28.050 of CB 120606 would prohibit a landlord from increasing rent over the amount of the “maximum annual rent increase” in a 12-month period, either through a one-time rent increase or cumulatively throughout a year. The maximum annual rent increase is equivalent to the rate of inflation⁵ multiplied by the average monthly rent charged in the preceding 12 months.

To account for utilities, Section 7.28.070 would require that if a landlord pays the utility bills for the unit, the cost of the utilities would be included in the rent for purposes of calculating average monthly rent. If the tenant pays the utilities, they would be excluded from rent. These utility costs cannot include late fees for the purposes of this calculation.

If the City would like to change the standard calculation of the maximum annual rent increase in the future, CB 120606 would require that the Council hold at least two public hearings on legislation proposing such a change and outline its reasons for making the change.

⁵ Inflation is equal to 100 percent of the annual average growth rate of the bi-monthly Seattle-Tacoma-Bellevue Area Consumer Price Index for Urban Wage Earners and Clerical Workers, termed CPI-W, for the 12-month period ending in August, provided that the percentage increase shall not be less than zero.

4. Applicability to rental housing units newly offered and one-to-one replacement (Section 7.28.080)

Section 7.28.080 would regulate the initial rent charged when a rental housing unit is newly offered on a site that was used as rental housing at any time during the ten years prior to when the new unit will be offered for rental.⁶ For units that meet that condition, CB 120606 regulates the following scenarios:

- For units matching square footage of the previous rental housing units, the maximum initial rent would be set at the most recent rent charged in the previous rental unit plus the cumulative maximum annual rent increase amount for the years between when it was last offered for rental and when it will be newly offered for rental. It is the landlord's responsibility to determine the rent most recently charged in the previous rental housing units as accurately as possible using existing data sources.
- If the square footage of a new unit is different than that a previous unit, the landlord must use the same calculation to account for past rent, then prorate rent based on the ratio of rent to square footage.
- If the square footage of all the new rental housing available exceeds the square footage of the previous rental housing units, the landlord must match the value and desirability of previous units to the new units when determining which units would be considered as replacement units and thus subject to limitations on rent increases.
- For any units the landlord considers as excess square footage, the landlord would be able to set initial rents without limitation.

There would be no limit on initial rents for any newly offered rental housing units built on a site where there were no units offered for rent in the past ten years. After the initial rent is set, any future rent increases would be subject to the limitation on maximum annual rent increase.

Lastly, for any units newly offered after the effective date of Section 1 of this legislation, a landlord would need to submit a plan to comply with these regulations, which the SDCI Director would have to approve.

⁶ For example, if the site was used for rental housing previously but the building was demolished in 2015, new construction of rental housing units in 2025 (subject to one-to-one replacement) could set initial rent at any amount. However, if demolition of the units did not occur until 2020, the new units offered in 2025 on that site would be subject to the limit in setting initial rent.

5. Establishment and function of a Rent Control Commission (Section 7.28.110)

Section 7.28.110 would establish a citywide Rent Control Commission (“Commission”) to meet on a quarterly basis and:

- Make recommendations to the City about rent control policies and regulations, including any changes to the calculation of the maximum annual rent increase;
- Ensure fair and consistent application of regulations; and
- Adopt administrative rules to govern the process to petition for exemptions from rent increases.

Each district Councilmember would appoint five renters who live, and one landlord who owns or manages rental property, in the Councilmember’s district, to be confirmed by City Council. The resulting 42-member Commission would be comprised of 35 renters and seven landlords.

While the current legislation outlines an appointment process and sets two-year terms, CB 120606’s recitals reflect an intent to amend the City Charter to allow residents to elect Commission members and then amend the code to align with new Charter provisions.

The members of the Commission would be divided into seven District Rent Control Boards (“Boards”), consisting of the members of the Commission in each district. The role of the Boards is to hold hearings on petitions for emergency rent control exemptions and decide whether the petitions meet the criteria for granting such an exemption.

The legislation includes details regarding the expectations and administrative responsibilities that SDCI would have in staffing the Commission and Boards.

6. Process for petitioning for an emergency rent control exemption (Section 7.28.120)

Section 7.28.120 would allow a landlord to petition the Board for exemption from the maximum annual rent increase limit. A landlord would be eligible to submit a petition if the landlord has incurred or will incur costs of repairing major damage to the property because of unforeseeable events, including but not limited to earthquakes, flood, water or fire and the costs prevent the landlord from completing repairs or paying for repairs already completed without financial hardship. Petitions would be assigned to the Board with the rental housing units in its district. The Board would hold hearings and decide whether a petition should be approved, conditionally approved (approved for a rent increase over the maximum limit but not the amount the landlord petitioned for), or denied.

The legislation includes details regarding the expectations and administrative responsibilities that SDCI would have in this process, which include staffing, notice, petition processing, and assignment of petitions to Boards.

CB 120606 lays out the following for the Board to consider in deciding on the petition:

- Financial hardship to the landlord from costs incurred due to an unforeseeable event. The Board cannot consider any costs resulting from foreseeable major repairs or arising from routine wear and tear;
- Financial hardship to the tenant(s) if the exemption petition is approved; and

- Whether the exemption can be reasonably expected to result in one or more tenants in the unit being unable to remain housed within Seattle. If the tenant(s) could not remain housed upon approving the petition, the legislation makes clear that the exemption should not be granted.

A landlord or affected tenant injured by the Board's decision would be able to appeal it to the Hearing Examiner within 14 calendar days of the decision's issuance.

7. Administration and enforcement of the legislation (Sections 7.28.090 .100; .130 – 200)

This legislation would require that a landlord express any notice of rent increase both as a dollar amount and as a percentage of current rent. In addition, when landlords are registering, renewing, reinstating, or updating their RRIO registrations, they would be required to include the current rental amount and how amount has changed over the previous ten years. CB 120606 would similarly amend [RRIO](#).

SDCI would enforce the provisions of CB 120606. In addition to protecting tenants from prohibited retaliation by their landlords for exercising their rights under this legislation,⁷ SDCI would have the authority to use warnings, citations, and notices of violation to enforce CB 120606. Citations are \$500 for the first violation and \$1,000 for each subsequent violation in a five-year period. The City Attorney's Office can also pursue criminal penalties. The administration and enforcement provisions are modeled after the enforcement provision in [Section 7.24](#) of the Seattle Municipal Code, governing rental agreement regulation. CB 120606 includes a private right of action for a tenant to bring civil suit against a landlord in a court with jurisdiction.

Section 4 of CB 120606 would require SDCI to track the number of inquiries it receives related to this legislation or rent control. The intent is to help track the staff and resources it takes to answer inquiries from tenants and landlords about this legislation.

⁷ The legislation provides a rebuttable presumption that retaliation against a tenant for trying to exercise their rights has occurred if the landlord takes any of these actions within 90 days of the exercise of the tenant's rights: Refusing to provide, accept, or approve a rental application or a rental agreement except as otherwise allowed by law; applying more onerous terms, conditions, or privileges to a tenant or prospective tenant who exercises rights than to one that does not; misrepresenting any material fact when providing a rental reference about a tenant; or threatening to allege to a government agency that a tenant or prospective tenant, or a family member of a tenant or prospective tenant, is not lawfully in the United States.

Analysis

Rent Control Policy

A lot of research on rent-control laws comes from economics literature, where according to an Urban Institute literature review, many researchers conclude it is an ineffective or counterproductive policy that would increase rents, decrease housing supply, and disincentivize maintenance of rental units. However, the same literature review finds that more recent rent control policies have generally tried to incorporate features that mitigate some of these negative impacts. The general critique of rent control is less salient when applied to real-world examples, and empirical studies looking into these effects have found mixed results.⁸

Empirical research, especially comparative research, is still limited because the same policy decisions can have different impacts based on local conditions, such as the existing rental market, economy, zoning, and regulations regarding tenant protection.⁹

There is a field of recommended best practices based on the empirical data that does exist. Policy Link states that there are four basic principles for effective rent control:¹⁰

- 1) Rent control laws should cover most rental dwellings with minimal exceptions. Single-family homes and new construction should not be exempted.
- 2) Rent control should be paired with robust tenant protections and systems to maintain safe, quality homes, including just cause eviction protections.
- 3) Rent control should maximize long-term affordability, mainly by not allowing property owners to re-set rents at the end of a tenancy (otherwise known as vacancy decontrol).
- 4) Tenants should play a central role in program design and implementation.

CB 120606 reflects principles 1 and 3 (not exempting single family homes or new construction and vacancy decontrol). Seattle does have just cause eviction protections, per principle 2; this memo does not assess whether Seattle's tenant protections are "robust." The Renter's Commission supported drafting this legislation, providing one venue for tenants to inform this legislation and tenants would have a central role in program implementation, as 35 out of the 42 Rent Control Commissioners will be tenants.

⁸ Rajasekaran, P., Treskon, M., and Greene, Solomon, "Rent Control: What Does the Research Tell Us about the Effectiveness of Local Action?" Urban Institute, (Jan. 2019), P 2, *available at* https://www.urban.org/sites/default/files/publication/99646/rent_control_what_does_the_research_tell_us_about_the_effectiveness_of_local_action_1.pdf (hereinafter "Urban Institute 2019").

⁹ *Id.*, PP 7-8.

¹⁰ Chew, A and Treuhaft, S, "Our Homes, Our Future: How Rent Control Can Build Stable, Healthy Communities," Policy Link (Feb 2019), PP 9-10, *available at* https://www.policylink.org/sites/default/files/OurHomesOurFuture_Web_08-02-19.pdf (hereinafter Policy Link 2019).

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1. Applicability to types of housing units

A rent control policy must establish what rental units should be covered and if any buildings or unit types should be exempted. As described above, CB 120606 covers most types of rental housing units with a limited number of exceptions. Seattle’s policy covers almost all rental housing unit types, including new construction (see Sections 7.28.040.) **This approach is unlikely to create a partitioned housing market where uncontrolled unit prices are higher than what would exist without any rent control, and it is not clear what the impact would be on the construction of new units.**

Covering some but not all rental units can create a partitioned housing market, with controlled and uncontrolled units. Because the controlled pool of units may experience lower turnover because tenants have a strong incentive to remain. The uncontrolled pool thus experiences more competition, which means that rent control may actually drive prices up in the controlled sector higher than they would be if rent control didn’t exist at all.¹¹

There is no clear evidence on whether subjecting new construction to rent control decreases the supply of new units. Some researchers have argued that rent control policies may impact development of new units, and other research has found no causal connection.¹² New construction is exempted in most, if not all, of jurisdictions in the US with rent control, so there are limited options to study the issue empirically.

In the five other comparison jurisdictions that Central Staff researched, none exempt new construction. Saint Paul, MN initially exempted new construction when voters passed rent control in 2021; that law was amended in 2022 to provide a 20-year exemption for future new construction and any projects built within the last 20 years. Other jurisdictions exempt older properties, ranging from those built before 1973-1985. See Attachment A for more details on other jurisdictions and how they compare to CB 120606.

¹¹ Schofield, K., “Understanding Rent Control,” Seattle City Council Insight (April 25, 2019), available at [Understanding Rent Control \(sccinsight.com\)](https://www.seattle.gov/council/insight/understanding-rent-control); Urban Institute (2019), PP 4-5.

¹² Urban Institute (2019), PP 5-6.

2. Vacancy Control

Rent control policies generally have two different approaches regarding what happens when a controlled unit becomes vacant:

Vacancy control: rent increase restrictions continue to be same upon the end of a tenancy.

Vacancy decontrol: rent can be set at any amount upon the end of a tenancy. After the unit is re-occupied, the unit is subject to the same rent increase restrictions as any other controlled rental unit.

CB 120606 takes the approach of vacancy control. **Because renters are disproportionately low-income, CB 120606 may potentially create below market-rate rents that are sustained over the long-term, resulting in a greater supply of affordable units and reducing cost burden for low-income tenants. CB 120606 may potentially disincentivize a property owner from maintaining their property.**

Vacancy de-control may erode the benefit of rent control specifically for low-income tenants because it does not create below market rates that are maintained over time. For example, in Santa Monica, CA, prior to vacancy decontrol, rents for 83 percent of controlled units were affordable to households that are low, very low, and extremely low income. In contrast, since vacancy decontrol, less than 4 percent of stabilized rental units today are affordable to such households. (This data is drawn from Sant Monica Rent Control Board's Annual Report, not academic research, so may not account for other factors that could have led to this change.)¹³

Vacancy decontrol may have other impacts. Some research indicates that when property owners can establish any rent upon end of a tenancy, that they will establish a rent amount higher than market rate; a tenant would pay more upfront to obtain the guarantee of more predictable rent increases in the future.¹⁴ Vacancy decontrol may create an incentive for property owners to evict tenants, because they are able to increase rents upon having a vacant unit. The structure of vacancy controls may also impact maintenance levels of units. For example, some argue that a property owner's ability to re-set rents provides an incentive to maintain controlled units.¹⁵

In the five other comparison jurisdictions that Central Staff researched, three of them allow additional rent increases after a tenancy ends but with a cap ranging from 8-30 percent. Oregon does not have any limits on rent increases upon the end of tenancy, while Oakland, CA applies the same rent increase restrictions regardless of whether a unit is vacant.

3. Maximum Annual Increase Allowed

Rent control policies must set a maximum allowable annual increase for occupied units, which can have multiple impacts, including on tenant stability, maintenance levels of units, number of new units being developed, or the conversion of units to condominiums.

The maximum annual rent increase in CB 120606, which is set as the rate of inflation multiplied by the average monthly rent charged in the preceding 12 months, could provide housing stability to tenants by moderating annual rent increases. In high-inflation periods like 2022 rents may still increase significantly. It is unclear if CB 120606's policy would allow property owners to save the money or secure the financing needed to make needed capital improvements or repairs over time.

¹³ Rent Control Agency, "Santa Monica Rent Control Board Annual Report (2017) (as cited in Policy Link (2019), P 28).

¹⁴ Turner and Malpezzi, "A Review of empirical evidence on the costs and benefits of rent control," Swedish Economic Policy Review, (2003).

¹⁵ Jenkins, "Rent Control: Do Economists Agree," Economic Journal Watch, (2009).

As shown in Table 1, since 2010, inflation has ranged from a low of .71 percent in 2010 to 9.23 percent in 2023.

Table 1. Inflation From 2010-2022¹⁶

Year	Percent Change in CPI-W for month of August
2010	0.71%
2011	3.18%
2012	2.69%
2013	1.10%
2014	2.14%
2015	1.24%
2016	1.98%
2017	2.83%
2018	3.17%
2019	2.53%
2020	2.41%
2021	5.08%
2022	9.23%

In the five other comparison jurisdictions that Central Staff researched, most are based on annual growth in CPI, although some allow annual CPI growth plus a set percentage ranging from 2-7 percent. St. Paul, MN has a set amount of three percent regardless of CPI while Berkley, CA calculates annual rent increases based on 60 percent of the growth in CPI.

4. Property owner’s ability to petition for increases beyond the maximum allowable rent increase

Some rent control policies allow property owners to petition for rent increases beyond the maximum allowable rent increase under certain conditions. Section 7.28.120 allows property owners to petition to raise rent increases for unexpected expenses but it does not allow property owners to increase rents for planned expenses, which includes large capital repairs or substantial rehabilitation of the property. **CB 120606 protects tenants from unexpected and potentially significant rent increases based on a property owner’s petitions. Property owners may be constrained in either saving for or accessing the financing they need to maintain or repair their property.**

In the five other comparison jurisdictions Central Staff researched, four of them allowed property owners to petition for larger allowable increases based on a combination of hardship, capital improvements, substantial rehabilitation, water and tax surcharges and/or a reasonable return on investment.

¹⁶ [Measuring Price Change in the CPI: Rent and Rental Equivalence : U.S. Bureau of Labor Statistics \(bls.gov\)](https://www.bls.gov); CPI-W, all items, Seattle-Tacoma-Bellevue, WA, not seasonally adjusted.

5. Rent Control Oversight

As part of a rent control policy, jurisdictions must determine what kind of process they will have in place to hear and process tenant and landlord complaints, process any petitions for additional rent increases and establish rules and regulations. Those functions could be performed by government administrative staff, an oversight board, or some combination of both.

Section 7.28.110 creates a 42-member Commission, who would be divided into seven Boards that would hold hearings and make decisions on petitions for emergency rent control exemptions. **Compared to the other jurisdictions Central Staff researched, CB 120606 would result in a larger and more complex oversight structure with the majority of control provided to tenants to decide on property owner petitions for additional rent increases. This oversight structure may help ensure that tenants interests are adequately represented, but there may be disagreement over whether property owners are adequately represented. It may also be difficult to maintain consistent and predictable decisions across seven different boards.**

In the five other comparison jurisdictions that Central Staff researched, two of them have an oversight board with community members. Hoboken, NJ has nine members and its rent control law is silent on whether or not members must be tenants or property owners. Oakland, CA has a seven-member board, of which two must be tenants, two must be residential rental property owners and three must be neither tenants nor residential rental property owners. The oversight committees hear appeals from property owners and tenants but initial decisions are made by administrative staff.

6. Risk of Condominium Conversions

One potential risk of rent control is that it may incentivize property owners to take their units off the rental housing market by converting them to owner-occupied units. CB 120606 does not provide any policies specifically intended to mitigate the risk.

There is evidence that rent control can cause rental units to convert to ownership, thus resulting in a loss of rental units from the market.¹⁷ **It is not clear if or how rent control would impact a property owner's decision to convert rental units to ownership units, such as condominiums, in Seattle. Decisions could be impacted by the current regulatory environment for condominium conversions along with condominium construction liability risks and costs.** Historically, developers of almost all newly constructed condominiums were sued for construction defects, which significantly impeded new condominium construction. Changes were made to state law to reduce that legal risk; however Central Staff would need to research further to determine the impacts of those changes on condominium construction.

7. Race and Social Justice Analysis

In Seattle, low-income and BIPOC households are disproportionately renters. 64 percent of BIPOC households are renters, while only 49 percent of white households are renters.¹⁸ Additionally, a

¹⁷ See Diamond, Rebecca, Tim McQuade, and Franklin Qian (2018) (as cited in Urban Institute (2019) PP 5-6).

¹⁸ Seattle Office of Housing, "Presentation to the Select Committee on the 2023 Housing Levy" (April 5, 2023), Slide 20, available at [View.ashx \(legistar.com\)](View.ashx (legistar.com)).

disproportionate number of Seattle BIPOC households are moderately or severely cost-burdened.¹⁹ In particular, 57 percent of Black households are moderately or severely cost-burdened as compared to 40 percent of white renter households.²⁰

The benefits of rent control to low-income tenants and tenants of color is not guaranteed and may depend in part on how the rent control program is designed. Rent control policies could benefit low-income and BIPOC households if: (1) low-income and BIPOC households are able to access controlled units at a rate that is at least proportional to their representation in the rental market; and (2) rent control produced lower rents that supported economic stability and/or reduced cost burden of low-income and BIPOC households.

CB 120606 contains elements which could increase the potential that rent control would benefit low-income and BIPOC households by covering all rental units, including new construction, and by implementing vacancy control.

Access to rent controlled units

Research is mixed on whether low-income and BIPOC households have proportional access to rent control units. According to an Urban Institute literature review:²¹

- In Cambridge, MA, renters in the bottom quartile of household income distribution occupied only 26 percent of rent controlled apartments; tenants in the top half occupied 30 percent.
- Tenants in rent-controlled units in New Jersey and California tend to be older and to be single.
- A study of New York City's strict first-generation rent control found it benefited low, middle, and high-income tenants equally.
- Some evidence indicates that benefits can be allocated proportionately to lower-income tenants under certain forms of moderate control.

However, a recent Policy Link literature review showed more successful outcomes:²²

- In New York City, 66 percent of households living in rent-stabilized units are low-income, a much higher proportion than those in market-rate rentals; seniors are also concentrated in stabilized apartments.
- Long-term tenants in rent-controlled units are even more likely to be low-income, people living with chronic illness or disability, seniors, and single parents.
- Studies of rent regulation in New York City, New Jersey, California, and Massachusetts (before it banned rent control), show that people of color disproportionately live in rent-controlled homes or communities with rent control.

¹⁹ Cost burden is when a household pays more than 30% of their income on housing costs, including utilities. Severe cost burden is when a household pays more than 50% of their income on housing costs, including utilities.

²⁰ BERK (2021), P 24.

²¹ Urban Institute (2019), P 20.

²² Policy Link (2019), P 21. Data is largely drawn from articles and studies that may not have been published and gone through peer review.

Benefits to tenants in rent-controlled units

Rent control can confer benefits upon low-income and BIPOC households who reside in rent-controlled units, in the form of lower rent and moderated rent increases. However, vacancy decontrol may erode those benefits.²³

- In Los Angeles, CA low-income households gained the greatest savings after rent stabilization's passage, with average rents 40 percent below market rate.
- In Los Angeles, CA immediately after adopting rent stabilization, Black renters received the greatest savings for one-bedroom units, compared to White renters. Rent regulation effectively slows gentrification, which is threatening communities of color.
- Immediately after Los Angeles, CA adopted rent control, the share of renters who moved in the past year decreased by 37 percent, with the rates dropping most for Black and Latinx renters.
- In Santa Monica, CA the passage of rent control led to a doubling of the proportion of tenants living in their units more than five years, while slowing gentrification and halting an exodus of lower income households and families with children.
- Vacancy decontrol has contributed to the displacement of Black renters in California: while the share of Black renters increased in California cities with strong rent control, it decreased in those adopting vacancy deregulations which allowed landlords to raise rent without limit between tenancies, likely pricing out Black tenants.

8. Fiscal Impacts and Implementation Challenges

As described in the [summary and fiscal note](#), the level of resources needed to support implementation of CB 120606 is not yet clear. SDCI will need to stand up infrastructure and need additional staffing and resources to implement the requirements of this legislation and enforce it. However, because the final effective version in Seattle will be dependent on the actions of the State legislature, and the timing of that action is unclear, SDCI indicates it will be difficult to estimate the costs of infrastructure, staffing, and resources associated with implementation until the scope and scale of their responsibilities are finalized. SDCI indicates that setting up staffing and infrastructure for RRIO cost about \$5 million and took over two years to stand up. However, this legislation is more complex, and inflation, labor, consultant, and IT costs have increased since RRIO was put into place about ten years ago. As such, it is likely that implementing this legislation will cost more than \$5 million.

CB 120606 builds an 18-month gap between when the state law change would prompt a rent freeze and when the operative sections of the legislation would be effective. This gap is structured around the anticipated effectiveness of any state law on July 1, which would give SDCI through September to communicate to the Mayor and the Council the scope and level of resources needed before the Mayor transmits the budget to the Council. The Council could then consider appropriating such an amount to SDCI during its annual budget process. Any appropriated funds would be available to SDCI January 1 of the following year, giving SDCI one year to stand up needed infrastructure and hire appropriate staff in time for implementation at the beginning of the subsequent year. It is unclear whether one year would be sufficient to stand up all needed elements for implementation, but if further time is needed, SDCI and the Council can work together at that time to plan or refine when the legislation goes into effect.

²³ *Id.* PP 21-28. Data is largely drawn from articles and studies that may not have been published and gone through peer review.

Next Steps

The Sustainability and Renters' Rights Committee anticipates a July 12 special meeting for community members to provide input on rent control. Councilmembers are requested to submit any proposed amendments to Central Staff by July 13. The committee expects to vote on amendments and CB 120606 at the subsequent regularly scheduled meeting of the Sustainability and Renters' Rights Committee on July 21. If committee members vote CB 120606 out of committee, it would be voted on by City Council on August 1, 2023.

Attachments:

- A. Rent Control in Other Jurisdictions

cc: Esther Handy, Director
Aly Pennucci, Deputy Director

Location	Year Implemented	Allowable Annual Rent Increase	Applicable Properties	What happens upon vacancy	Exceptions to maximum allow increases	Oversight, including process for setting regulations and considering petitions
Seattle, WA	Proposed (CB 120606)	Up to annual change in Consumer Price Index (CPI)	All rental housing units in Seattle, including single-family homes, rented rooms, and new construction. One to one replacement units required for sites that had rental housing anytime in the last 10 years.	Same rent increase restrictions as any other controlled occupied unit	Petition can be submitted for a rent increase needed because of an unforeseeable event such as earthquake, floor, water or fire damage. If the tenant could not remain housed upon approving the petition, the legislation makes clear that the exemption should not be granted even if otherwise justifiable.	There would be a Rent Control Commission comprised of 35 renters and 7 landlords. The members of the Commission would be divided into seven District Rent Control Boards ("Boards"), consisting of the members of the Commission in each district. The role of the Boards is to hold hearings on petitions for emergency rent control exemptions and decide whether the petitions meet the criteria for granting such an exemption.
Hoboken NJ	1973	Up to annual change in Consumer Price Index (CPI)	Any residential property built before 1987 and any residential property with less than 4 rental units regardless of when it was built.	Can raise rents but not more than 25% of the previous rate	Allows petitions for tax, water, and capital improvement surcharges and hardship increases	A 9-person Rent Leveling Board reviews appeals, uphold ordinances, and passes regulations. Ordinance is silent on whether or not board members should be tenant or property owners.
Oakland, CA	1980	In 2022, Oakland City Council changed the maximum increase to 60% of the change in CPI or 3 percent, whichever is lower. Prior to that rents could be increased once in a 12-month period by an amount equal to the annual change in CPI.	Buildings built after January 1, 1983. Rental units that are condominiums, single-family homes and cooperative housing are exempt.	Same rent increase restrictions as any other controlled occupied unit	Property owners can bank unused rent increases with some limitations; there is also a process through which property owners can petition for a rent increase based on fair return. (1)	A 7 person Housing, Residential Rent and Relocation board enforces the Rent Adjustment Ordinance, hears appeals on decisions by city staff, develops and amends regulations and makes recommendations to City Council on resident rent, eviction or other City housing policy. The board is comprised of two tenants, two residential rental property owners and three people who are neither tenants nor residential rental property owners.
Washington DC	1985	Up to annual change in CPI plus 2 percent, with an annual maximum increase of 10 percent. For disabled or elderly tenants, rents can increase by CPI alone with a maximum of 5 percent.	Rental units built before 1975 owned by people or LLCs who own 5 or more units.	Can increase rents to a level comparable for similar units; however, they cannot increase the rent by more than 30% of the previous rate	A housing provider may choose to seek larger allowable increases under other provisions of the Act, by filing petitions for hardship, capital improvements, services and facilities substantial rehabilitation, or a voluntary agreement with 70 percent of the tenants	The DC Office of Administrative Hearings (OAH) hears cases pursuant to rent adjustment petitions. A separate, three-member Rental Housing Commission (RHC) is the first level of appeal. The RHA is an administrative court and regulatory body responsible for the impartial interpretation, implementation and enforcement of the Rental Housing Act.
Oregon (statewide law)	2019	7% plus CPI	Rental units that are 15 years or older	No restriction on rent increase, except if tenant is evicted prior to 12 months	None	Oregon Department of Administrative Services shall calculate the maximum annual rent increase percentage annually and post that information on its website. No Oversight Board
St. Paul, MN	2021	3% annually	Original law included all units and had no new construction exemption. In September 2022, law amended to provide a 20 year exemption for new construction projects and for any projects built within the last 20 years.	In original law all units – including vacant ones – were capped at a 3% increase. In September 2022, St. Paul City Council amended the law to allow rent increases of up to 8% plus CPI after a "just cause" vacancy.	Can request an exception to the 3% limit based on the right to a Reasonable Return on Investment	Rent increase exceptions received and determined by city staff; tenants or landlords can appeal to Hearing Office. There is no Oversight Board

- 1) cao-94612.s3.amazonaws.com/documents/Guide-to-Oakland-Rental-Housing-Law_EN_10.4.21_FINAL.pdf
- 2) [City of Oakland | Appointed Rent Board \(oaklandca.gov\)](https://oaklandca.gov/rent-control)
- 3) [Rent Control | ota \(dc.gov\)](https://ota.dc.gov/rent-control)
- 4) [St. Paul City Council approves changes to rent control ordinance | MPR News](https://mprnews.com/news/st-paul-city-council-approves-changes-to-rent-control-ordinance/)