

Understanding Seattle's Housing Market Shift from Small to Large Rental Properties: A Rental Registration and Inspection Ordinance Program Audit & Seattle Department of Construction and Inspections (SDCI) Responses and Progress

Presentation to the Seattle City Council Housing & Human Services Committee

June 12, 2024



Seattle Office of City Auditor



Seattle Department of
Construction & Inspections

Rental Registration and Inspection Ordinance (RRIO)

- Established in 2012
- Administered by SDCI
- Purpose: to ensure all rental housing in Seattle is safe and meets basic housing maintenance requirements.
- All rental properties must register, with a few exceptions – e.g.,
 - Government owned or operated
 - Licensed under state program
 - Owner-occupied
- Properties randomly selected for inspection every 5-10 years
 - City Inspector
 - Private inspector
 - Inspection from another program (e.g., Housing Choice Voucher)

RRIO Overview Continued

- Customer service and support to landlord customers
 - About 14,000 registration renewals each year
 - 9,353 calls to the RRIO line in 2023
 - 1,121 online inquires in 2023
- Safe, properly maintained rental housing
 - 4,030 properties completed and passed the inspection requirement in 2023
 - Over 5,000 items identified and correct through inspections
 - Practical, educational, problem-solving approach

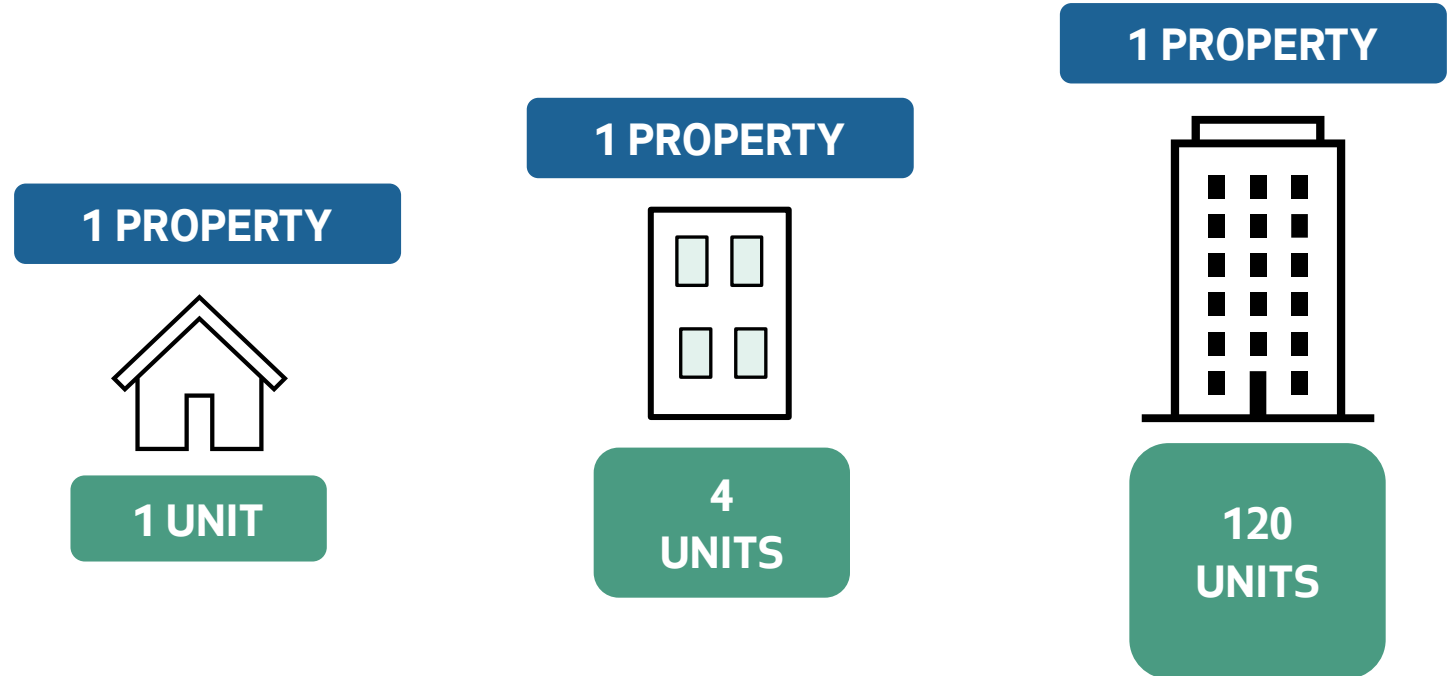
Key Terms

Rental Unit:

Refers to a housing unit that is or may be available for rent. It can also be occupied or rented by a tenant or subtenant in exchange for any form of consideration.

Rental Property:

A building that has one or more rental housing units.



Council Questions and Request About Rental Registrations

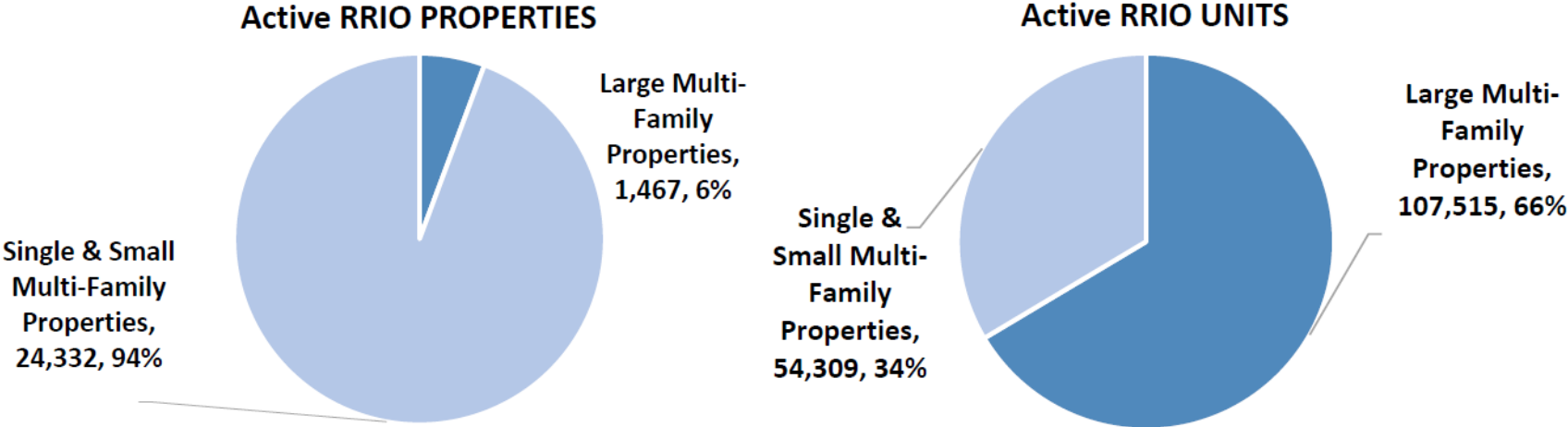
1. Investigate the decline in rental properties registered under the Rental Registration and Inspections Ordinance (RRIO).
2. Develop actionable recommendations to improve the RRIO program's data collection, enforcement measures, and other related policies and procedures.
3. Understand why some property owners in Seattle sold, stopped renting out, or did not renew the RRIO registration of their rental properties.



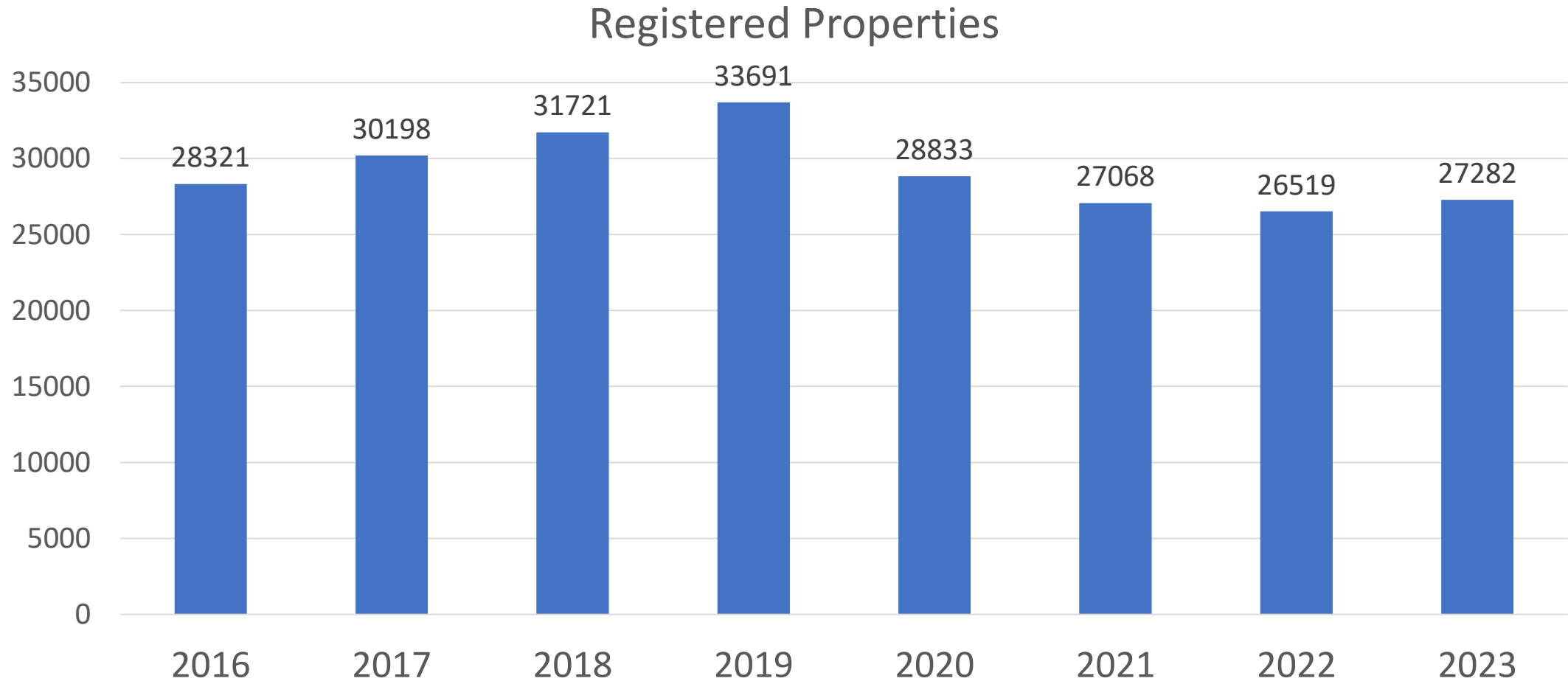
Changing Seattle Rental Market

During 2016-2022, Seattle experienced a decline in the number of single-family rental homes (properties with one unit) and small multi-family rental properties (properties with two to 20 units) registered with RRIO in parallel with an increase of registered large multi-family rental properties with 21 or more units.

In 2022, large multi-family property owners were just **six percent** of all property owners but controlled **66 percent** of Seattle's rental units.

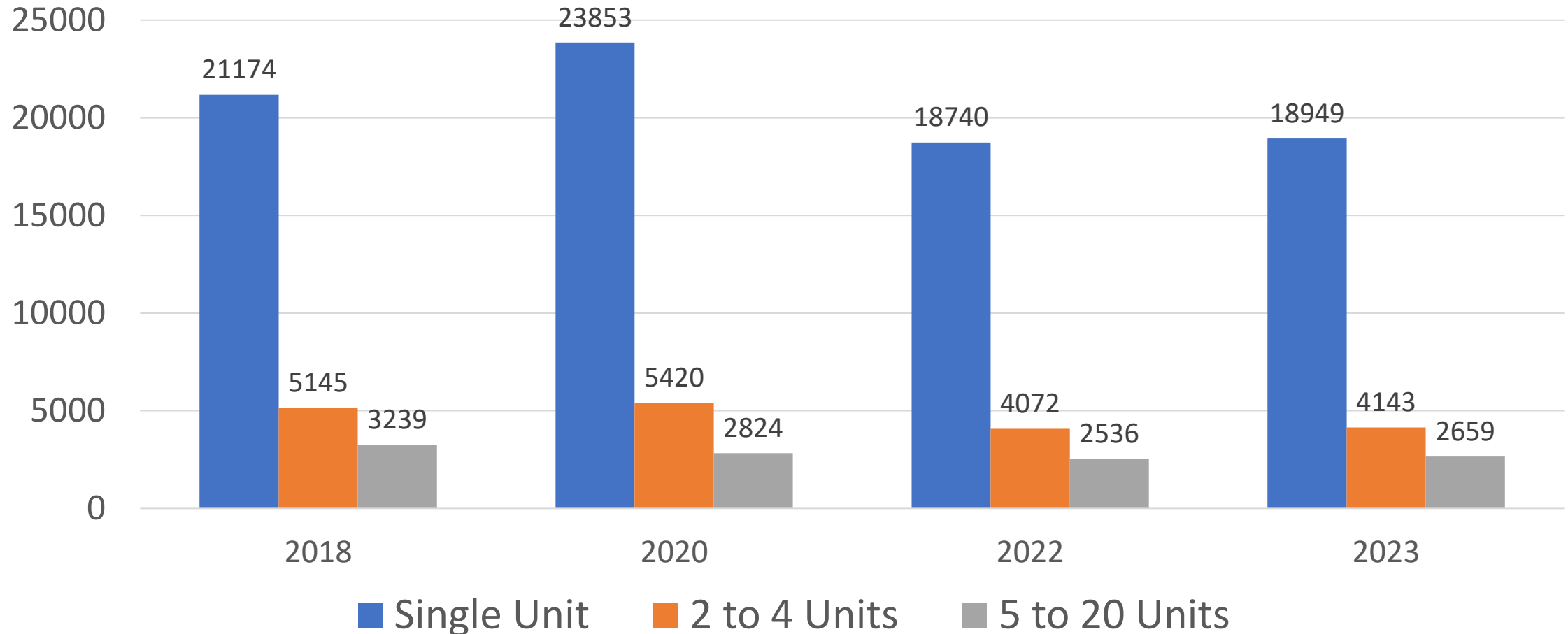


Rental Registrations Through the End of 2023



Smaller Rental Properties Through the End of 2023

Registered Properties by Property Size



Factors Driving the Decline In RRIO Registered Properties 2016-2022

1. About 6800 RRIO registered rental properties were sold and most of them, about 88 percent, were smaller properties with 1 to 5 units.
2. 768 demolition permits were issued for RRIO registered properties, and most of those (92 percent) were for properties with 20 or fewer units.
3. 10 percent (143) of short-term rental properties that were supposed to be registered with RRIO did not have an active registration.
4. Among landlords we surveyed who stopped renting in Seattle, 21 percent (54 of 261) said they converted their rental property into a primary residence for themselves or a relative.
5. In 2022, the RRIO program had a significant increase in registrations of new large multi-family properties (i.e., containing 21 units or more).



Recommendation 1

If the City of Seattle wants to preserve single-family and small multi-family property rental housing, it should consider enacting policies that support the continued presence of this type of property in Seattle's rental market. When considering such policies, the City should involve stakeholders most impacted by rental housing policies.

Status: Pending

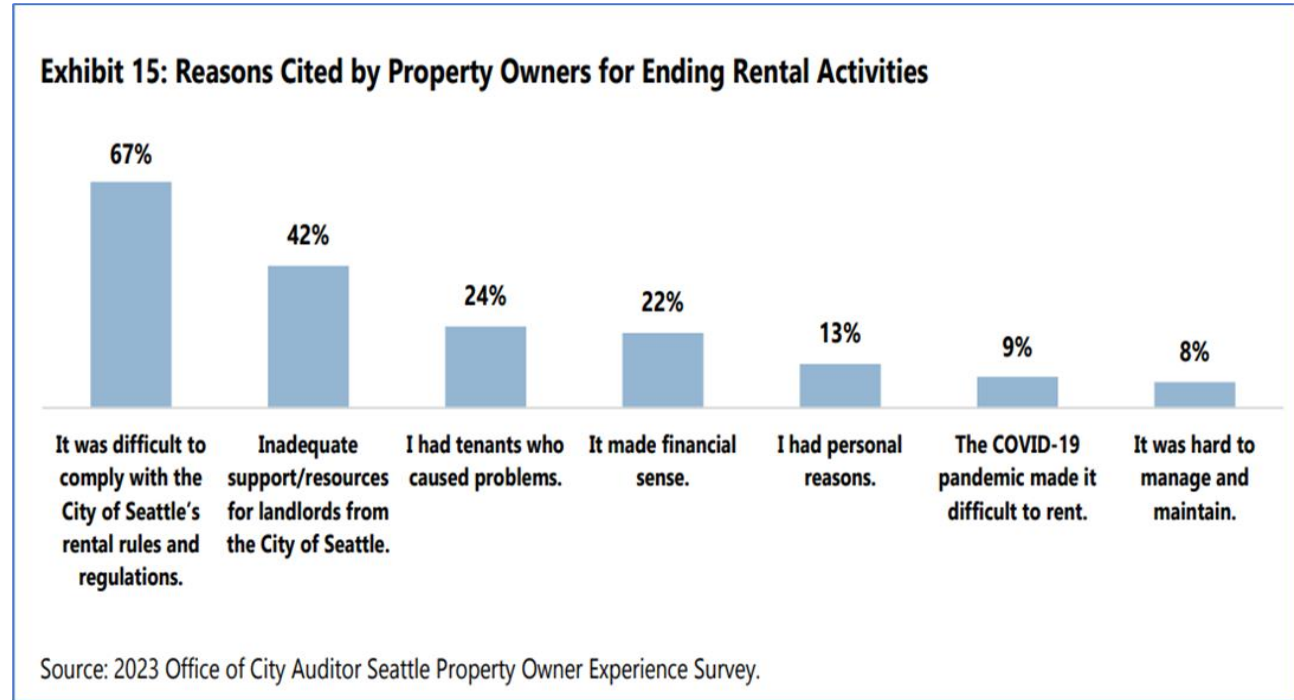
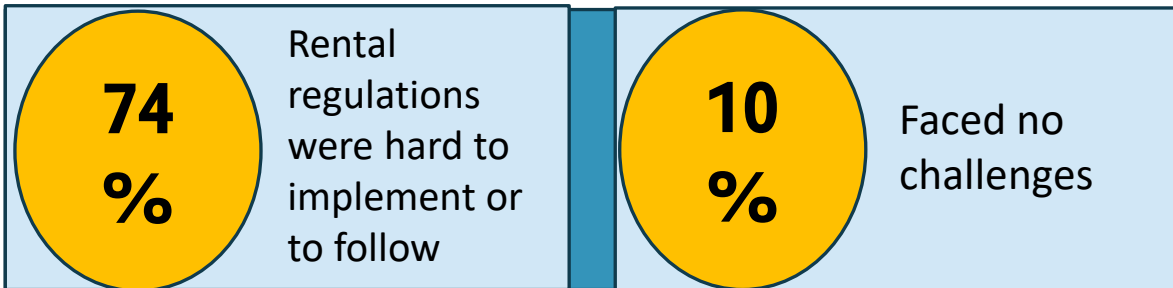
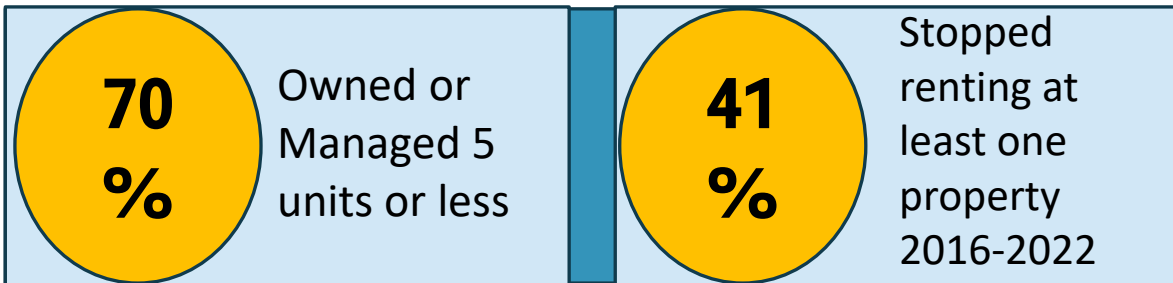


Recommendation 1 - SDCI Response

Actions Taken

- Utilize SDCI Small Landlord Stakeholder work and reports from 2022 and 2023
- Continue to utilize SDCI's partnership with the Seattle Office of Civil Rights (SOCR) support such as website and landlord trainings
- Solicit feedback from landlord trainings to better enhance support and education

Challenges Faced by Property Owners and Why Some of Them Have Stopped Renting Properties in Seattle



Challenges Faced by Property Owners and Why Some of Them Have Stopped Renting Properties in Seattle

Single-family and small multi-family rental properties were subject to more tenant-landlord and housing complaints filed with SDCI compared to large multi-family properties.

There was an increase in landlord-tenant complaints filed with SDCI from 2021 to 2022.



Recommendation 2

The Department of Construction and Inspections (SDCI) should coordinate with other City departments such as the Seattle Office for Civil Rights (SOCR) to provide more and better targeted information and resources to rental property owners. These resources should include comprehensive information on landlord-tenant regulations and programs and offer updated and accessible guidance on how to remain in compliance with the City's landlord-tenant regulations, beyond what is covered by SDCI's Rental Registration and Inspections Ordinance (RRIO) and Renting in Seattle outreach programs. This could involve:

- Improving current materials by including an easy-to-understand guide summarizing landlord-tenant regulations and programs.
- Providing a regularly updated list of City of Seattle legislation affecting property owners, complete with direct links to the specific municipal codes for easy reference.
- Developing a checklist of rental property owner (landlord) compliance requirements and a rental property owner (landlord) FAQ section that answers common questions about Seattle's rental regulations.
- Resuming and offering more training and workshops to help property owners understand how to meet City of Seattle rental regulations.
- Status: Pending



Recommendation 2 - SDCI Response

Actions Taken

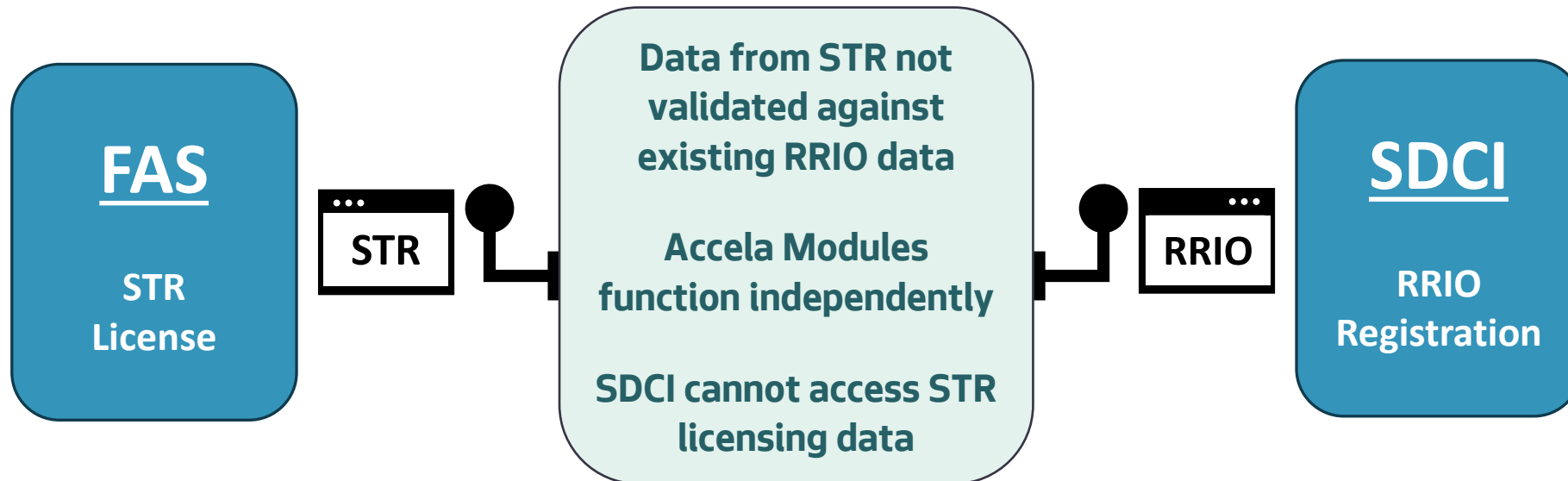
- SDCI and Seattle Office for Civil Rights Landlord Trainings
 - 2 completed, about 150 attendees ea.
 - At least 2 more planned for 2024
- SDCI Home Fair information sessions
- Renting in Seattle Website updates
- Renter's Handbook updates - Rental Housing Association partnership for distribution

Additional Actions Planned in 2024

- Update on-line landlord training
- Targeted training & information for ADUs and shared housing

Short-Term Rental Licensing Processes Make it Difficult to Identify and Enforce the RRIO Ordinance

- Some Short-Term Rental (STR) properties must be registered both as STRs with the Department of Finance and Administrative Services (FAS) and with SDCI as RRIO registered properties.
- We found gaps in the process to ensure such properties were registered with both FAS and SDCI, such as an inability by FAS to share certain data with SDCI, that would enhance RRIO enforcement.
- There are no built-in processes within FAS's STR module when issuing a license renewal to ensure those RRIO registrations maintain an active RRIO status.



Recommendation 3

The Department of Finance and Administrative Services should establish internal controls within their processes and information technology system (Accela), in consultation with the Seattle Department of Construction and Inspections (SDCI), to enhance Short-Term rental (STR) compliance with Rental Registration and Inspections Ordinance (RRIO) registration requirements during both new license issuance and renewal stages. These internal controls could include cross-referencing RRIO-registered addresses, verifying active RRIO status, and flagging and notifying the RRIO program and the STR licensee when a RRIO status becomes inactive.

Status: Pending



Recommendation 4

The Department of Finance and Administrative Services and the Department of Construction and Inspections (SDCI) should use their shared information technology system (Accela) to enhance Rental Registration and Inspections Ordinance (RRIO) compliance monitoring and enforcement by providing each department access to relevant RRIO and Short-Term Rental (STR) data. This access could include key information such as STR licensee addresses, RRIO statuses, RRIO record IDs, and expiration dates.

Status: Pending



Recommendation 3 & 4 - SDCI Response

Actions Taken

- Meeting with FAS on data sharing, joint strategies, IT improvements.
- Manually sharing Short-term Rental and RRIO data.

Longer-term IT Work

- SDCI and FAS pursuing Accela system enhancements through standard IT and budget channels
 - Highly specialized, in demand, and carefully prioritized work.
 - Requires advanced planning and budget.
 - IT-related recommendations go through the departments and Seattle IT scoping, City-wide prioritization, and funding processes.

Challenges in Enforcement Related to RRIO Registration, Renewal, and End-of-Registration Processes and Communications

Misalignment of property owners' obligations: Seattle Municipal Code 22.214.040 F mandates new owners of properties registered with RRIO to update SDCI within 60 days after the property sale closes. However, this update rarely occurs. SDCI instead communicates with the selling property owners, who are no longer responsible for the property.

Multiple Registrants: RRIO's IT system, Accela, and RRIO processes allow multiple parties, like property owners or managers, to register or renew a property. Also, users can delete their contact information, which can result in incomplete records. When there is a change in property ownership, management, or the designated contact person, RRIO staff often encounter difficulties in establishing contact due to these information gaps.



Recommendation 5

The Seattle Department of Construction and Inspections (SDCI) should update its Rental Registration and Inspections Ordinance policies to define the roles, responsibilities, and liabilities for all parties involved in the rental registration process and improve communications with registrants to help ensure it has the correct contact information for property owners and their designees.

Status: Pending



Recommendation 5 - SDCI Response

Actions Taken

- "Please keep your records up-to-date" reminders to RRIO email listserv (approx. 19,000 owners and managers)
- RRIO data cleanup - all caught up on overdue renewal reminders, which prompt customers to correct information
- Moved online RRIO inquiries to Zendesk customer management tool
- Improved direct customer access to RRIO staff via phone and SDCI public information desk

Longer-term

- Automated reminders (IT work)
- Policy review

RRIO IT System Challenges in Data Gathering and Management Hinder RRIO Enforcement Efforts

- System doesn't flag duplicate registrations.
- Allows multiple contact entries and incomplete contact information.
- Web interface is difficult for property owners/managers to navigate and locate their records.
- SDCI has a labor-intensive process of verifying RRIO registration compliance and a large backlog of lapsed registrations needing enforcement review.



Recommendation 6

To ensure more effective Rental Registration and Inspections Ordinance (RRIO) program enforcement and outreach, the Seattle Department of Construction and Inspections (SDCI) should update its RRIO information technology system (Accela) to simplify the process of registration, renewal, and termination, reduce data entry errors, and enhance the management of information, particularly for property owners and their designees' contact information.

Status: Pending



Recommendation 6 - SDCI Response

Currently

- Continuous improvement based on customer feedback within existing capacity
- SDCI has already-completed documentation of customer and staff challenges with Accela.

Longer-term

- SDCI and FAS pursuing Accela system enhancements through standard IT and budget channels

SDCI's Race and Social Justice Roadmap

- SDCI last updated its Race and Social Justice Roadmap in 2015.
- The Roadmap is based on the City's Racial Equity Toolkit (RET).
- Using the Toolkit regularly helps identify disparities by gathering and analyzing RRIO program data.



Recommendation 7

The Seattle Department of Construction and Inspections should regularly update the Race and Social Justice Initiative (RSJI) Roadmap for the Rental Registration and Inspections Ordinance program to ensure that it is aligned with the City's RSJI guidelines.

Status: Pending



Recommendation 7 - SDCI Response

Completed 2 rounds of RSJ analysis

- 2013 at startup
- 2015 "how are we doing and what do we need to adjust"
- Collect voluntary data on demographics of customers - very low response rate

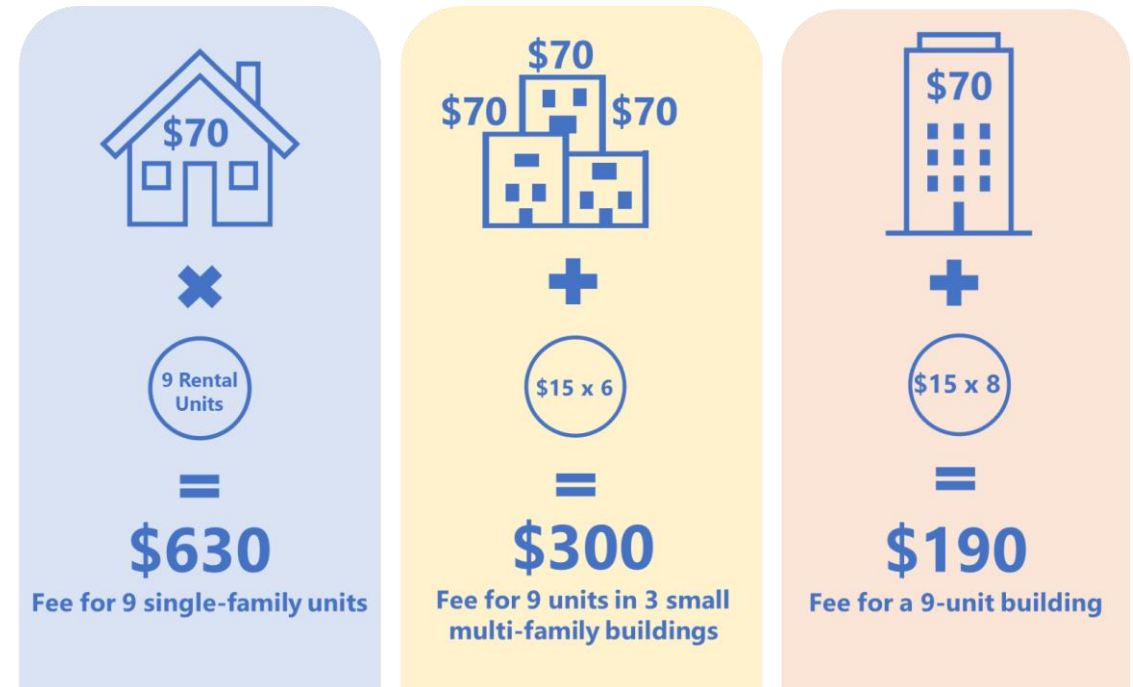
Action Planned

- Update analysis using current toolkit

Current RRIO Fee Structure Poses Financial Challenges

- RRIO program relies on fees for its funding.
- RRIO fees are \$70 for initial property and its first rental unit, and \$15 for each additional unit.
- As the number of registered properties declined between 2016 and 2022, the program's revenue declined, which means it might not generate enough revenue to remain financially sustainable.

EXAMPLE Cost of registering 9 units by property type



Recommendation 8

Given the trend of an increasing share of large multi-family properties registered with the Rental Registration and Inspections Ordinance (RRIO) program, the Seattle Department of Construction and Inspections should review and update the RRIO program's fee structure to ensure it adequately covers the program's operational costs and sustains it financially for the long term.

Status: Pending



Recommendation 8 - SDCI Response

Action Taken

- Updated fee model and financial projections in 2023
- Updated fees effective 2024

Action Planned

- Fee review in 2025

Recommendation 9

The Mayor's Office should collaborate with the Seattle Department of Construction and Inspections, the Seattle Information Technology Department, and other participating departments in the Rental Registration and Inspections Ordinance program, such as the Department of Finance and Administrative Services, to create and execute a strategy, that includes sufficient resources to provide adequate support for the Accela software used in the Rental Registration and Inspection Ordinance process.

Status: Pending



Recommendation 9 - SDCI Response

- We have and will continue to collect feedback from customers and staff who utilize Accela
- Ongoing coordination with Seattle IT and FAS to scope areas for improvement
- Utilizing this information, we continue to work through standard IT and budget channels, which include the Mayor's Office and the City Budget Office

Questions?

The report can be found on the Office of City Auditor's website:

<https://www.seattle.gov/cityauditor/reports#2023>

**Understanding Seattle's Housing
Market Shift from Small to Large
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Registration and Inspection
Ordinance Program Audit**

December 21, 2023

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SDCI RRIO Programs

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Thank you!

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Recommendations in Categories

Administrative

- 2 – More and better targeted information to rental property owners
- 3 & 4 – Better coordination with FAS on short-term rentals
- 5 – Better define roles in registration process and improve communication
- 7 – Update RSJI analysis
- 8 – Update RRIO fee structure

Policy

- 1 – Consider policies that support single family and small multi-family rentals

IT

- 3 & 4 – Accela IT system integration between RRIO and Short-term rentals
- 6 – Update the RRIO IT system for usability and information management
- 9 – Strategy and resources for Accela support

