



SEATTLE CITY COUNCIL
CENTRAL STAFF

Council Bill 120606: Rent Control

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SUSTAINABILITY AND RENTERS RIGHTS COMMITTEE

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Agenda

- State of the Rental Market
- Summary of Legislation
- Analysis and Comparison to Other Cities
- Next Steps

State of the Rental Market

- More than 50 percent of Seattle residents are renters.
- Rent prices have continued to increase:
 - Median Seattle rents increased 15% between 2017-2021 from \$1,555 to \$1,787
 - Median Seattle rents increased 80% between 2010-2021, from \$990 to \$1,787
 - Average Seattle-Tacoma-Bellevue rents increased by 91.8% between 2010-2020
- Rent control is intended to help moderate rent increases to maintain housing affordability.

Summary of Legislation

1. Effective Date
2. Applicability to types of housing units
3. Limitation on rent increases
4. New units – no limitation on initial rent and one to one replacement requirement
5. Rent Control Commission and District Rent Control Boards
6. Emergency Rent Control Petitions
7. Administration & Enforcement

1. Effective Date

- Washington State law current prohibits regulation of rent in any city, including Seattle
- If passed, the bill is effective only upon repeal of the prohibition against regulating the amount of rent at the state level
 - State law repeal triggers an 18-month rent freeze in Seattle, then the rent control program codified in this bill would go into effect
- If State law repeals the prohibition against rent control but preempts City regulation, the rent control program would not go into effect
- Will require a charter amendment to effectuate new elected offices, then future amendment to the legislation to reflect the election structure.

2. Applicability to Types of Housing Units

All rental housing units except:

- Short term rentals;
- Transient lodging (hotels, motels, etc.);
- Shelter or transitional housing;
- Government- or housing authority owned housing; or
- Any units exempted from city regulations.

3. Limitation on Rent Increases

- No rent increase over the maximum annual rent increase over a 12-month period, either all at once or cumulatively
- Maximum annual rent increase = rate of inflation x average monthly rent over previous 12 months
- Utilities can be included in rent if landlord pays them – otherwise excluded
- Applies to each rental unit, not each tenancy (vacancy control)

4. New units – No Initial Rent Limitation

- Initial rent can be set at any level for:
 - Newly offered units replacing previous rental housing present more than ten years before the unit will be offered for rent;
 - Housing not rented out at any time in the ten years previous;
 - Additional non-replacement units larger than previously demolished housing
- But after initial rent is set, subject to limitations on subsequent rent increases

4. New units – One to One Replacement Requirement

- Limitations on 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.
- Maximum initial rent cannot exceed the most recent rent charged in demolished unit + maximum annual rent increase
- If square footage of new unit(s) is different, must prorate rent
- If new building has more units than previous building, landlord must match value and desirability of previous units to determine which are replacement units and adjust accordingly

5. Rent Control Commission

- One citywide Rent Control Commission with 42 members (35 tenants, 7 rental property owners)
- Quarterly meetings in compliance with OPMA
- Initially appointed to two-year terms, then assuming charter amendment, elected to four-year terms
- Responsibilities:
 - Solicit community comment, identify priorities, and make recommendations to the City Council and the Mayor regarding rent control policies and regulations
 - Review, and if necessary, recommend changes to the City Council and the Mayor about the calculation of the maximum annual rent increase amount
 - Ensure fair and consistent application of rent control regulations

5. District Rent Control Boards

- Commission divided into seven boards, one per Council District
- Each Board will have five renters and one landlord from within its district
- Responsibilities:
 - Hold hearings on emergency rent control exemption petitions
 - Determine whether a petition for an emergency rent control exemption meets the criteria for granting emergency exemptions, notify the SDCI of the Board's decision to approve, condition, or deny an emergency rent control exemption petition

6. Emergency Rent Control Exemption Petitions (1/2)

- Landlords can petition for an exemption from maximum annual rent increase
- Petitions assigned to the geographically appropriate District Rent Control Board
- Eligibility:
 - They have incurred financial hardship from costs of repairing major damage to their property due to unforeseeable events such as, but not limited to earthquakes, flood, water or fire damage, and
 - Financial hardship prevents them from completing repairs or paying for completed repairs without an exemption

6. Emergency Rent Control Exemption Petitions (2/2)

- The Board may not consider costs resulting from foreseeable major repairs or arising from routine wear and tear.
- The Board must consider financial hardship to the tenant if the petition is approved.
- Generally, the Board may not grant an exemption if the exemption can be reasonably expected to result in one or more tenants being unable to remain housed in Seattle.

7. Administration and Enforcement (1/3): *Retaliation*

- A landlord cannot retaliate against a tenant for trying to exercise their rights by:
 - 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
- Presumption of retaliation if a landlord takes these actions within 90 days of tenant exercising their rights

7. Administration and Enforcement (2/3): *Violations*

- SDCI will enforce the legislation through warnings, citations, notices of violation, or criminal penalties.
- Warnings can be issued if the person has not previously violated the law. First and second violations are citations, and any subsequent violations are enforced at SDCI's discretion.
- Citations are \$500 for the first violation and \$1,000 for each subsequent violation in a five-year period.
 - Can be subject to cumulative penalty of up to \$500 per day for each violation until compliance is achieved for violating or failing to comply
- Any landlord who violates or fails to comply and has had at least two or more citations and one notice of violation issued against them within three years from filing a charge can be found guilty of a misdemeanor.
- Tenant also has a private right of action against the landlord.

7. Administration and Enforcement (3/3): *Registration*

- Upon registration, renewal, reinstatement, or update under the Rental Registration and Inspection Ordinance (RRIO), the landlord must include:
 - the amount of rent that has been charged over the previous ten years;
 - any rent increases since the first registered amount in the previous ten years; and
 - the current rental amount

Analysis and Comparison to Other Cities

1. Recommended Best Practices, but Difficulty Predicting Impacts
2. Applicability to Types of Rental Housing Units
3. Vacancy Control
4. Maximum Allowable Increases
5. Ability to Petition for Additional Increases
6. Oversight
7. Condo Conversions
8. Race and Social Justice Impact
9. Fiscal impacts and Implementation Challenges

Comparison Jurisdictions with Rent Control

Central Staff researched five other jurisdictions with rent control policies:

- Hoboken, NJ
- Oakland, CA
- Washington D.C.
- Oregon (statewide law)
- St. Paul, MN

1. Recommended Best Practices but Difficulty Predicting Impact (1/2)

- A lot of rent control research is from economics literature, which concludes it is an ineffective and counterproductive policy
- More recent rent control policies have generally tried to incorporate features that mitigate some of these negative impacts.
- 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.
- Difficult to engage in comparative, empirical research because same policies could produce different results depending on local conditions
- Overall, difficult to predict the impact of specific policy levers

1. Recommended Best Practices but Difficulty Predicting Impact (2/2)

Policy Link recommendations for rent control best practices:

1. Covered most rental units with minimal exceptions. Single-family homes and new construction should not be exempted.
2. Create robust tenant protections and systems to maintain safe, quality homes, including just cause eviction protections.
3. Maintain 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. Provide a central role to tenants in program design and implementation.

2. Applicability to Types of Rental Housing Units

- Covering some but not all units can create a partitioned housing market with unintended consequences such as:
 - Prices may be higher in the uncontrolled portion of the market than they would be if rent control didn't exist, because of competition for a smaller pool of units.
 - The best resourced or highest-capacity tenants may secure a disproportionate amount of rent-controlled units, not lower-income tenants who would benefit the most.
- CB 120606 appears to be one of the strictest policies in the country in terms of covering all rental unit types, including new construction. Because the entire housing market would be controlled, the potential issues associated with partitioned market may be avoided.
- It is unclear what the impact of CB 120606 would be on the development of new rental units; there is no empirical research because almost all (if not all) other policies exempt new construction.

3. Vacancy Control

- When property owners can establish any rent upon end of a tenancy (known as vacancy decontrol) they may establish a rent amount above market rate, since tenants may be willing to pay more upfront for the guarantee of fixed price increases in the future.
- Allowing property owners to re-set rents upon vacancy may provide a greater incentive for them to maintain their properties.
- Vacancy control, which allows rent increases to remain the same at the end of the tenancy, may create and maintain below market-rate rents over the long-term, providing more affordable units and reducing cost burden for low-income tenants.
- Some jurisdictions offer partial vacancy control, where rents can increase beyond the allowable amount for an occupied unit but the total increase is still capped (i.e. can be increased by not by more than 20% of the current rent).
- CB 120606 institutes a full vacancy control policy

4. Maximum Allowable Rent Increase

- Comparison jurisdictions had a range of approaches to calculating maximum allowable rent increase, including:
 - Annual change in Consumer Price Index (CPI)
 - Annual change in CPI plus an additional factor (i.e. CPI + 2%)
 - Percentage increase that is not tied to CPI
 - A percentage of the annual change in CPI (i.e. 60% of the change in CPI)
- CB 120606, which indexes to CPI-W, could provide housing stability to tenants by moderating rent increases. In high-inflation periods like 2022, rents may still increase significantly.
- Over the last 12 years, the change in CPI-W has ranged from .71% (2010) to 9.23% (2022)
- It is unclear if CB 120606 would allow property owners to save the money or secure the financing needed to make capital repairs or improvements over time.

5. Ability to Petition for Other Increases

- Some jurisdictions allow petitions for both expected and unexpected expenses, such as capital improvements, substantial rehabilitation or tax and water surcharges. Others have a more general policy, such as allowing property owners to request an exception based on a reasonable return on investment.
- CB 120606 would provide protection for tenants from unexpected and potentially significant rent increases based on petitions. Petitions for expected expenses, including many types of repairs, are not allowed. Even petitions for unexpected expenses will generally not be granted if they would result in the displacement of tenants.
- Under CB 120606, property owners may be constrained in paying for large repairs or capital improvements, like a new HVAC systems, new siding, or a new roof – since they are considered expected expenses.

6. Rent Control Oversight

- Two comparison jurisdictions have oversight boards, each with less than 10 members. One board has no requirements around property owner/tenant members and the other requires 2 property owners, 2 tenants and 3 people who are neither.
- The CB 120606 structure is heavily weighted towards tenants, with over 80% of the Commission and Boards comprised of tenants.
- CB 120606 would result in a large oversight structure with 42 members. It also has a more complex structure with district level boards that hear and decide on rent increase petitions.

7. Condominium Conversions

- Rent control may result in property owners opting to convert their buildings to owner-occupied units such as condominiums
- There are other factors that could also impact that decision, such as the regulatory and legal liability associated with condo construction
- It is not clear how CB 120606 would impact the condo conversion rate.

8. Race and Social Justice Impacts

- Renters in Seattle are disproportionately low-income and Black, Indigenous or people of color (BIPOC) households.
- Rent control could benefit these renters by reducing cost burden, reducing displacement risk and promoting integration.
- Can only happen if low-income and BIPOC households can: (1) access-controlled units at a proportional rate; and (2) rent control produces lower rents that support economic stability and/or reduce cost burden.
- CB 120606 contains elements which could increase likelihood that rent control would benefit low-income and BIPOC tenants, including vacancy control and covering all rental unit types.

9. Fiscal Impacts and Implementation Challenges

- SDCI cannot yet accurately estimate cost of implementing a rent control program
- Setting up RRIO is closest comparable, and that cost \$5M over ten years ago
 - Labor, IT, consultant costs have all increased since that time
- Will be difficult to determine infrastructure, staffing, and resource needs until the bill goes into effect.
- 18 months between beginning of rent freeze and effectiveness of the rent control program is intended to build in time to add resources and stand up needed infrastructure.

Next Steps

- **July 12:** Special Sustainability and Renters' Rights Committee Meeting
- **July 13:** Amendment submission to Central Staff deadline
- **July 21:** Sustainability and Renters' Rights Committee Meeting for discussion and vote
- **August 1:** If approved in committee, City Council vote

Questions?