

Regulating Predatory Home-buying Practices

Christa Valles, Office of the Mayor

Housing and Human Services Committee

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City of Seattle

Purpose of Today's Discussion

Review proposed legislation
to regulate predatory home-
buying practices



What is predatory home-buying?

- Unsolicited offers for homes not currently on the market
- May include calls, letters, postcards or text messages
- Vulnerable home-owners (elderly, financially distressed) most at risk
- Often involves heavy-handed pressure tactics
- Can result in below-market offers for homes



Context

- Major update to Comprehensive Plan has elevated concerns about displacement, including predatory home-buying practices
- Innovation and Performance Team conducted inventory and review of City's anti-displacement investments to understand efficacy and identify gaps.
- Mayor Harrell issued Executive Order 2025-01 to address gaps, improve implementation of existing programs, and increase understanding of when and where displacement occurs.
- Executive Order asked City's Department of Finance & Administrative Services (FAS) to develop legislation to regulate businesses or individuals who make unsolicited offers on homes, i.e., predatory home-buying.

Executive Order 2025-01: Implementation of Anti-Displacement Strategies

WHEREAS, as part of the City of Seattle's major update to the Comprehensive Plan titled the One Seattle Plan, Mayor Harrell is proposing a Growth Strategy that significantly increases Seattle's zoning capacity; and

WHEREAS, the Mayor's proposed plan will double zoning capacity from 165,000 to 330,000 units, increasing the types and location of housing that can be built across the City; and

WHEREAS, ensuring adequate capacity for a range of different housing can help address supply constraints and thereby mitigate escalating housing costs and rents; and

WHEREAS, high housing costs are correlated with higher rates of homelessness; and

WHEREAS, while increasing zoning capacity can assist in increasing the City's housing supply, other measures are also needed to enable households with a range of incomes to afford housing in Seattle; and

WHEREAS, the City has recently committed historic levels of local investment in subsidized affordable housing, amounting to nearly \$350 million a year in 2024; and

WHEREAS, these local dollars help leverage State and Federal funds to build and acquire subsidized affordable housing across the City for lower income households; and

WHEREAS, the City has adopted a number of programs and policies intended to mitigate displacement and spends millions of dollars each year on these; and

WHEREAS, displacement occurs when households are forced to involuntarily move for economic or physical reasons (e.g., can no longer afford housing because of increasing costs or building is being demolished for new development); and

WHEREAS, in light of the proposed changes in zoning capacity, the Mayor directed the Innovation and Performance Team (IP) to conduct a review of the City's anti-displacement programs to determine if they are effective and sufficiently comprehensive and IP has completed its review and found the City has built a strong foundation of anti-displacement interventions; and

WHEREAS, many of the City's anti-displacement programs are grounded in a solid evidence base, indicating they can be effective in reducing displacement, while other efforts involve more novel approaches as staff seek to pilot new ideas; and

Legislation Overview



Obligates potential buyers to disclose certain information to home-owners about their rights.



Provides an “out” for home-owners to cancel purchase contract after signing.



Gives City ability to fine businesses or individuals who do not comply with new regulations & establishes private right of action.

Proposed Regulations

- At least five days in advance of signing a purchase contract, potential buyer or buyer's representative must provide written notice to the owner:
 - How to access resources to assess fair market value of home
 - Outlining the Owner's right to appraisal, with potential buyer responsible for cost of appraisal
 - Highlighting the Owner's right to hire real estate agent and seek legal counsel
 - Any other information FAS Director deems appropriate
- Purchase contract must include separate disclosure document with above information AND specifying homeowner has right to cancel purchase contract without penalty.
- Disclosure notice must also include contact information for reporting suspected violations to City's Consumer Protection Division in FAS.



Proposed Regulations

After signing purchase contract:

- Owner can still hire an appraiser at buyer's expense within 10 days after contract execution
- Owner can cancel purchase contract within 10 business days after receiving appraisal
- Owner can cancel purchase contract with 10 business days after execution of contract if no appraisal sought



Comparison to State House Bill 1081

Closely aligns with recently passed state legislation but differs in following ways:

- Allows City to impose more stringent fines on violators
- Provides homeowners more time following execution of purchase contract to obtain appraisal and cancel purchase contract following appraisal
- Has stronger documentation requirements (separate disclosure notice must be signed by both parties to establish proof of receipt)
- Establishes homeowners have private right of action if buyer fails to comply with City ordinance



Implementation Steps

- **Website Updates:** FAS will update its website to inform buyers and homeowners about the new regulation and how to file a complaint
- **Education and Outreach:** FAS will educate impacted businesses via online information, by phone and in-person
- **Language Access:** FAS is committed to language access so will translate high-level information into Tier 1 Languages
- **Training:** FAS will train License and Standards Inspectors to receive complaints and conduct investigations about violations
 - Violations may result in penalties ranging from \$7,500 for a first violation to \$10,000 for second and subsequent violations



Questions?

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