

April 5, 2023

MEMORANDUM

To: Sustainability and Renters' Rights Committee
From: Asha Venkataraman, Analyst
Subject: CB 120541: Limits on late fees and notice fees

On April 7, 2023, the Sustainability and Renters' Rights Committee will discuss and possibly vote on [Council Bill \(CB\) 120541](#), sponsored by Councilmember Sawant. This legislation covers the same topics discussed at the March 17, 2023, committee meeting regarding [CB 120530](#), which regulated late fees, but contains changes related to notice fees that required a new title and bill. This memo will describe the differences between CB 120530 and CB 120541, review issues for the Council's consideration, and provide next steps.

Background

On March 17, 2023, the committee discussed CB 120530, which would have: limited the amount of fees charged for late rent to ten dollars per month; prohibited charging any other fees related to late payment of rent, including for the service of any notice required under state law as related to late payment of rent; directed the Seattle Department of Construction and Inspections (SDCI) to prepare a notice informing landlords and tenants of their rights under the law; and stated that any notice to pay or vacate should indicate the amount of owed money that is unpaid rent and the amount that is for late fees. Please see the [March 15, 2023 Central Staff memo](#) for a full description of CB 120530 and related issues.

Notice Fees

Landlords can issue many kinds of notice to tenants, examples of which include notices for late payment of rent, lease non-renewal, need to access the unit, lease violations, and eviction (notices to pay rent due or vacate, notices to comply with a lease or vacate).

There do not appear to be explicit regulations on whether and how much a landlord can charge for issuance of notices to a tenant. It is not clear how many landlords charge this type of fee. The range of such fees can vary widely. The actual cost to a landlord of issuing a notice is variable, and could include anything from printing or postage costs, to paying a sheriff to serve an eviction notice, or paying a property management company to handle all notices. Whether these costs are passed to tenants in the form of a notice preparation fee or in some other way also varies amongst landlords.

Differences between CB 120530 and CB 120541

CB 120541 retains the limitation on late fees at ten dollars per month and a prohibition against other fees associated with late payment of rent contained in CB 120530. CB 120541 reflects

two primary changes. First, CB 120541 would add a prohibition against all fees associated with issuance of any notice to a tenant (not just notices associated with late fees) and includes recitals addressing that prohibition. The addition of this provision by the sponsor required a new bill title.

Second, CB 120541 no longer contains language required on any notice issued to the tenant about the late fee regulations and potential remedies. While the language requiring that any notice to pay or vacate should indicate the amount of owed money that is unpaid rent and the amount that is for late fees has been excluded from CB 120541, SDCI is still directed to conduct a rulemaking process regarding notice to inform landlords and tenants of their rights under the law.

Issues for Council's Consideration

Central Staff's March 15, 2023 memo described three issues and potential options for the Council's consideration: (1) the amount and impact of fees; (2) the regulatory environment; and (3) implementation. Many of these same issues apply to CB 120541.

The Council could enact a prohibition against all notice fees as proposed in CB 120541. The Council could also consider whether to impose a prohibition only on certain notice fees, require that fees reflect the actual cost to the landlord for issuance of notices, or impose a fee of a certain dollar amount above which landlords cannot charge.

Lastly, please see the [summary and fiscal note](#) for CB 120541 for information regarding implementation and enforcement by SDCI. In short, while adding one FTE code compliance analyst may help improve response times, it is unclear how much reduction, if any, in response time will result. The uncertainty of what average workload will look like and how many more calls and cases will come from passage of this legislation makes gauging the appropriate amount of staffing challenging.

Next Steps

If Councilmembers vote CB 120541 out of committee on April 7, it will be in front of the City Council for a vote on April 18.

cc: Esther Handy, Director
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