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Summary and Fiscal Note

1. Legislation Summary

Department: Mayor's Office/Seattle Department of Construction and Inspections

Title: An ordinance relating to rental agreement regulation; requiring disclosure of fees, prohibiting and limiting certain fees, requiring retention of compliance records, expanding investigation authority, and establishing new enforcement mechanisms; amending Section 7.24.020, 7.24.050, 7.24.060, 7.24.120, and 7.24.130 of, and adding new Sections 7.24.039, 7.24.040, 7.24.045, 7.24.170, 7.24.180, 7.24.190, 7.24.200, 7.24.210, 7.24.220, 7.24.230, and 7.24.240 to, the Seattle Municipal Code.

Background: This legislation creates a new regulatory framework for rental housing fees effective July 1, 2027. These fees are a growing issue in Seattle's housing affordability crisis. The legislation will strengthen tenant protections, reduce hidden housing costs, and promote a fair and transparent rental market, while also supporting small landlords with timely, consistent compliance guidance.

The legislation distinguishes between "mandatory fees" which are imposed on all units rented by a particular landlord and "optional fees" which are fees that renters may choose to pay or not to pay in exchange for a good or service. The legislation requires all mandatory and optional fees to be conspicuously disclosed in any advertisement or listing of a residential rental unit as well as at lease signing; updated annual disclosures are also required. The legislation prohibits any mandatory fee that is not explicitly authorized under Seattle Municipal Code. Authorized fees that a landlord may impose mandatorily include application screening fees, security deposit and nonrefundable move-in fees, pet damage deposit fees, late rent fees, utility fees, key replacement fees, lockout fees, insufficient funds fees, fees to reimburse qualified and documented landlord expenses, and fees for tenant's liability for default in rent or abandonment of the unit. Dollar limits are imposed on certain mandatory fees.

The legislation requires that any optional fee for a good or service be conspicuously disclosed as optional, that tenants must affirmatively opt in to any optional fee and be allowed to opt out at any time without penalty, and prohibits landlords from charging more than the actual cost incurred for services provided by a third party. Specific optional fees are prohibited as unfair and excessive, including fees for access to common areas, fees for accepting certain methods of rent payments, fees for mail and package collection, fees for changes of tenancy, and pet fees beyond damage deposits.

The legislation increases citation penalties, provides for future adjustments based on CPI-U, and establishes a new penalty for prohibited retaliation. It establishes a defense to eviction for failing to pay a prohibited fee.

The legislation expands tenants' existing private right of action to include landlord action to enforce prohibited fees, establishes a new private right of action for prohibited retaliation, and increases landlords' liability to tenants in private rights of action. It provides that tenants of a similar class to pursue a joint action against a landlord.

The legislation establishes authority for the Seattle Department of Construction and Inspections to investigate rental agreement regulation violations, including building- and company-wide investigations. It requires landlords to retain records documenting their compliance with the City of Seattle's rental agreement regulations and authorizes the department to subpoena such records as part of an investigation.

The legislation establishes the process by which the department shall deliver findings and determine if an Order of Investigative Findings requiring remedies is warranted. It establishes remedies available to the department under an Order of Investigative Findings, including civil penalties and remedies owed to the tenant. It authorizes the department to enter into settlement agreements, and to waive penalties for a landlord's timely payment of remedies owed to the tenant. It establishes a process for landlords and tenants to appeal decisions and remedies to the Hearing Examiner.

Summary Attachments: N/A

2. Capital Improvement Program (CIP)

Does this legislation create, fund, or amend a CIP Project?

☐ Yes

☒ No

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3. Summary of Financial Implications

Does this legislation have financial impacts to the City?

☒ Yes

This legislation does not change appropriations or positions; however, it does anticipate future budget changes as identified below.

☐ No

a. Expenditure Change to General Fund

2026	2027 est.	2028 est.	2029 est.	2030 est.
$0	$0	$0	$0	$0

b. Expenditure Change to Other Funds

2026	2027 est.*	2028 est.*	2029 est.*	2030 est.*
$0	$915,203	$795,697	$795,697	$795,697

* CPI is unknown at this time. Estimated costs do not include SDCI department administrative and overhead costs.

c. Revenue Change to General Fund

2026	2027 est.	2028 est.	2029 est.	2030 est.
$0	$0	$0	$0	$0

d. Revenue Change to Other Funds

2026	2027 est.	2028 est.	2029 est.	2030 est.
$0	$1,361,800	$791,200	$1,435,200	$873,600

e. Number of Positions

2026	2027 est.	2028 est.	2029 est.	2030 est.
0	3	3	3	3

f. Total Full-Time Employee (FTE) Change

2026	2027 est.	2028 est.	2029 est.	2030 est.
0	3.0	3.0	3.0	3.0

3a. Appropriations

This legislation adds, changes, or deletes appropriations.

Fund Name and Number	Dept.	Budget Control Level (BCL) Name/Number	2026 Appropriation Change	2027 Estimated Appropriation Change
48100 Construction and Inspections Fund	SDCI	BO-CI-U2400	$0	$915,203

This legislation does not change appropriations. Modifications to appropriations will be included in the 2027 Proposed Budget and future budget actions. The amount above shows the anticipated needed budgetary increase but does not include costs that are anticipated to be absorbed within SDCI's base budget. Total 2027 costs are estimated at $1.03 million, excluding administrative and overhead costs.

3b. Revenues/Reimbursements

This legislation adds, changes, or deletes revenues or reimbursements.

Anticipated Revenue/Reimbursement Resulting from This Legislation:

Fund Name and Number	Dept.	Revenue Source	2026 Revenue	2027 Estimated Revenue
48100 Construction and Inspections Fund	SDCI	Rental Regulatory Fee	$0	$1,361,800

Revenue/Reimbursement Notes:

The revenue above is anticipated to be generated from a new per-rental-unit fee effective January 1, 2027. The fee will be included in SDCI's annual fee bill which will be submitted to Council as 2027 budget legislation. The amount above assumes that fees will be collected in tandem with Rental Registration and Inspection Ordinance payments which are collected every 2 years. The estimated revenue amount above is based on an estimated 2027 fee of $11 per rental unit, excluding short-term rentals.

3c. Positions

This legislation adds, changes, or deletes positions.

Total Regular Positions Created, Modified, or Abrogated through This Legislation, Including FTE Impact:

This legislation does not change positions; however, this legislation anticipates that the following new positions will be included in SDCI's 2027 Proposed Budget:

Position Number for Existing Positions	Individual Position Title & Department	Fund Name & Number	Program & BCL	Part-Time (PT) or Full-Time (FT)	2026 Positions	2026 FTE	Does it sunset?
	Plng&Dev Spec,Sr (SDCI)	48100 Construction and Inspections Fund	PO-CI-U24B1	FT			No
	Code Compliance Anlyst (SDCI)	48100 Construction and Inspections Fund	PO-CI-U24B1	FT			No
	Code Compliance Anlyst (SDCI)	48100 Construction and Inspections Fund	PO-CI-U24B1	FT			No

If there is one or more sunsetting position or other notes, please explain: N/A

3d. Other Financial Impacts

a. Does this legislation create any other financial impacts for The City of Seattle, such as direct or indirect costs, one-time or ongoing, that aren't mentioned above? If yes, please explain these impacts.

This legislation anticipates adoption of a new rental regulatory fee during the 2027-2028 budget process. The fee will be assessed on a per unit basis, billed using the Rental Registration and Inspection Ordinance (RRIO) accounting infrastructure. The revenue will support implementation and enforcement of newly adopted City regulations governing rental fees, including 3.0 FTEs to support increased case intake, investigations, and landlord assistance related to rental fee regulation, as well as outreach and education services. The fee will be set to align with ongoing program costs.

b. If the legislation has costs that can be covered within the current budget, explain how. Does the department have extra resources in its budget to handle these costs? Or does the department need to shift resources away from other work to handle these costs?

SDCI and CBO have identified $60,000 in 2026 General Fund underspend that will be reallocated to support the upfront IT system modification costs necessary to implement and collect the new regulatory fee.

c. What financial costs or other impacts might happen if this legislation is not implemented?

None.

d. How might this legislation affect other City departments besides the one that proposed it?

The new authority for SDCI to conduct investigations and enforcement through Order of Investigative Findings is expected to result in additional work for the Hearing Examiner. The Hearing Examiner will be responsible for reviewing SDCI subpoena applications and hearing appeals of SDCI's Order of Investigative Findings from landlords and tenants. The Hearing Examiner anticipates that this work can be managed using existing resources and will not have a budget impact.

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4. Other Impacts

a. Does this legislation require a public hearing?

☐ Yes

☒ No

b. Does this legislation require a notice to be published in The Daily Journal of Commerce and/or The Seattle Times?

☐ Yes

☒ No

c. Does this legislation affect a piece of property?

This legislation does not affect a specific individual property, but will impact any residential property offered as long-term rental housing.

d. Race and Social Justice Initiative impacts:

1. How does this legislation affect vulnerable or historically disadvantaged communities? How did you come to this conclusion? Please consider both impacts within City government (like employees and internal programs) and in the broader community.

Renters are disproportionately likely to be from vulnerable or historically disadvantaged communities. Using data from the American Community Survey, the City's 2025 Comprehensive Plan Update found that 51% of White households are renters, compared to 56% of AAPI households, 66% of Native American households, 71% of Hispanic or Latino households, and 78% of Black households. Renters also tend to be lower income; the median income of owner households ($151,430) is more than twice the median income of renter households ($74,580).

Rental housing fees further exacerbate these disparities. Zillow's Consumer Housing Trends Report 2025 found that renters of color (67%), particularly AAPI (74%) and Hispanic (66%) renters, were more likely to report paying at least one fee compared to White renters (63%). Renters age 18-29 were also significantly more likely (82%) to report paying at least one fee compared to other age groups.

Rental housing fees can add up to a significant increase in housing costs. In a 2025 study, The Urban Institute found that rental fees added 10 to 30 percent to renters' total monthly payment. Based on Zillow's June 2026 average monthly rent of $2,038 for Seattle, that percentage is $203 to $609 a month in extra fees.

Regulating rental housing fees will help reduce the disproportionate financial burden that vulnerable and historically disadvantaged communities experience.

2. Please attach any Racial Equity Toolkits or other racial equity analyses used to develop or assess this legislation.

None.

3. What is the Language Access Plan for communicating with the public about this legislation?

$100,000 in onetime funding from the new rental regulatory fee will support updated translated materials and in-language outreach, consistent with SDCI's Language Access Plan. This will include:

- Renter's Handbook Update translation, Renter's Handbook printing, Required Notice & other translation
- Ethnic and weekly media advertising
- Bus advertising
- Renting in Seattle Website refresh

The fee is also expected to provide $65,000 annually for ongoing rental housing outreach and education efforts.

e. Climate change impacts:

1. Emissions: Will this legislation significantly increase or decrease carbon emissions? Attach any studies or materials that inform your answer.

This legislation is not expected to impact carbon emissions.

2. Resiliency: Will this legislation make Seattle more or less able to adapt to climate change? If it reduces resiliency, explain what can be done to lessen the impact.

This legislation is not expected to impact climate change resiliency.

f. If this legislation creates a new program or expands an existing one, what are the long-term, measurable goals? How will this legislation help achieve those goals? What methods will be used to track progress?

N/A

g. Does this legislation create a non-utility CIP that involves shared funding with a non-City partner or organization?

No.