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City Council

Approval of an Ordinance Establishing Rental Housing Registry and Inspection Program

Agenda Date: 11/21/2023
Agenda Item Number: 4.E
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Title

Approval of an Ordinance Establishing Rental Housing Registry and Inspection Program

Recommended Action

Committee Recommendation:

The Land Use & Environment Committee recommends approving an Ordinance establishing a rental housing registry and inspection program.

City Manager Recommendation:

Move to approve an Ordinance establishing a rental housing registry and inspection program.

Report

Issue:

Whether to approve an Ordinance establishing a rental housing registry and inspection program.

Staff Contact:

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Presenter(s):

Christa Lenssen, Senior Housing Program Specialist, Office of Community Vitality

Background and Analysis:

Background and analysis have not changed from first to second reading.

In May 2021, the City of Olympia began a process of community engagement and staff research to develop landlord-tenant protections that could be undertaken by the city to stabilize housing for renters and make it easier to access housing. Establishing tenant protections to address housing stability is addressed under Strategy 2.a. of the City's Housing Action Plan ("Identify and implement appropriate tenant protections that improve household stability"). In Fall 2021 and Spring 2022, community engagement with landlords, renters, and advocates was completed to gather feedback about potential policies to help stabilize renters and make it easier to access housing. This engagement included one-on-one interviews, focus groups, and online surveys. This guidance led to adoption of an ordinance in August 2022 of the first phase of tenant protections.

In May 2022, Land Use & Environment Committee (LUEC) directed staff to explore options for implementing a rental housing registration program. Staff from Housing, Code Enforcement, Building Inspections, Community Planning & Development, and Climate met regularly to review peer city programs and options. Staff interviewed peer cities to learn more about program models, staffing structure, and sample code language. Staff updated LUEC in November 2022 and June 2023 with findings and options, and LUEC directed staff to develop a program proposal. LUEC referred the proposed program to City Council for a study session in August 2023.

Development of a rental housing registry is addressed by the City's Housing Action Plan, Strategy 5.c. ("Establish a rental registration program to improve access to data and share information with landlords"). Washington State Legislature (under RCW 59.18.125) grants authority to cities to require a certificate of inspection in order to receive a business license for rental properties. Cities across the nation and in Washington State, such as Bellingham, Burien, Kent, Lakewood, Pasco, Tacoma, Tukwila, and Seattle, have implemented proactive rental housing inspection programs to address health and safety in housing units, and to preserve housing units. The proposed program will facilitate information-sharing with landlords, gather baseline data on rental housing in Olympia, and will ensure units meet health and safety standards.

The ordinance establishes a rental housing registry program and requires periodic inspections to maintain an Olympia business license. Annual registrations will be accompanied by a fee of \$35 per housing unit. Fee waivers will be offered to affordable housing providers. Owner-occupied room rentals are exempted from program requirements. Owner-occupied properties with one rental unit onsite (ADU, duplex) are required to register annually but are not subject to inspection requirements. These units would be required to submit a self-certification that their unit meets the City's requirements and could be subject to mandatory inspections if code violations are found. New construction is not subject to inspection requirements within the first ten years of occupancy. Inspections will be conducted by third party inspectors who are certified by the City.

Rental housing properties will be required to complete an inspection once every five years, and a percentage of units will be selected by City staff for inspection. Inspections will ensure basic life safety and health standards are met to rent properties in Olympia. Housing and climate staff will also work in collaboration to create an energy efficiency audit that will be incorporated into the inspection checklist. While life safety and habitability deficiencies must be addressed immediately and require re-inspections, energy efficiency upgrades will be completed over a longer timeframe.

These energy efficiency inspection standards will help the City to implement greenhouse gas reduction strategies identified in the Thurston Climate Mitigation Plan: reduce energy use in existing buildings, increase the production of local renewable energy, and electrify buildings to phase out natural gas.

Additional code amendments included in this ordinance will protect renters from retaliation for asserting their rights under Olympia's rental housing code (OMC 5.82), prohibit rent increases in uninhabitable rental housing units, and prohibit landlords from forwarding charges to comply with the registration, licensing, and inspection requirements to tenants.

Staff recommends the ordinance takes effect 90 days after passage and publication to allow time to:

- hire a program coordinator;

- build an application form for the registry and create a checklist for information needed to submit an application in SmartGov;
- work with Department of Revenue to establish a Rental Housing endorsement for the Olympia business license;
- develop informational resources and guidance.

Staff recommends the inspection requirements in the ordinance take effect 365 days after passage and publication to allow time to:

- perform outreach to rental housing property owners to share information about new requirements, implementation schedule and deadlines;
- create energy efficiency audit (with outside technical assistance);
- create system for tracking inspections and selecting units for inspections;
- create geographic sectors for inspection cycle;
- perform outreach to potential inspectors;
- create inspector training and certification;
- train inspectors.

Climate Analysis:

The proposed rental housing registry and inspection program will result in a long-term reduction of greenhouse gas emissions by reducing energy use in existing buildings and supporting building electrification to phase out natural gas. An inspection checklist will be developed to monitor health and safety in housing units, as well as energy efficiency. Climate, housing, building inspections and code enforcement staff will work together to develop the inspection standards and ensure that third-party inspectors are adequately trained to perform this work. Inspectors will utilize the inspection checklist to identify deficiencies in housing units, including structural conditions and extreme energy inefficiency. Rental property owners will be required to remedy deficient conditions and will be provided information about available resources to make repairs and upgrades. Information will be shared about City resources to electrify housing units, make weatherization repairs and other updates.

Equity Analysis:

BIPOC households are more likely to be renters than white households in Thurston County. Approximately 42% of BIPOC households rent, compared to 31% of white households. Renters benefit from ensuring housing units are in good condition. Renters with disabilities whose health may be negatively impacted by unit conditions (inadequate ventilation, mold/moisture intrusion, cold/heat) will benefit from improvements to housing units. About 20% of respondents to the Assessment of Fair Housing survey in 2022 indicated they experience health impacts from their housing unit conditions. The most common concerns among respondents were high heating costs or insufficient heat (57% of respondents), mold (48% of respondents), high cooling costs or insufficient cooling (45%), and air quality/pollution (33%). About 25% of survey respondents pay over \$250 per month for utilities.

According to a national 2016 study by ACEEE and Energy Efficiency for All, low-income, Black, and Latinx communities spend a much higher share of their income on energy. Additionally, this study found that 97% of excess energy burdens for renting households could be eliminated by bringing their homes up to median efficiency standards. Renters will benefit from decreased utility costs if energy efficiency improves and repairs are completed. According to the landlord survey conducted in 2021 as part of the Housing Needs Assessment, only 13% of landlords include electricity/gas utilities

in rent. Renters may also benefit from the landlord being more aware of legal rights and responsibilities, if additional educational resources and information are included as part of this program.

People of color and people with disabilities earn less on average than white, non-disabled people. In Thurston County, about 36% of white households earn over \$100,000 per year compared to 18% of Native American households. White households are the most likely to earn over \$100,000 annually and least likely to earn under \$35,000 annually than any other racial or ethnic group countywide. In 2020 in Olympia, a person with a disability earned on average \$26,075, compared to \$37,168 earned by a person without a disability. Low-income renters could be disproportionately harmed by this program if they are currently renting lower cost units that need significant repairs, and their rents are increased as a result of unit upgrades, they are displaced due to the unit needing significant repairs, or the unit is taken off the rental market. Renters with disabilities may also be burdened by inspectors entering their units (some individuals may be immune compromised).

There is limited data on landlord demographics. City of Olympia surveys include demographic data, but not all respondents provide demographic information and there is a limited sample size. Approximately 71% of landlords who completed the landlord survey (part of the Olympia rental housing code update in 2022) identified as white, which is similar to the general population of Olympia overall. Landlords are burdened by additional requirements and costs. Landlords may benefit from value-added programs and resources offered by the City. Landlords may also benefit from knowing about repairs needed in their housing unit due to inspections which may not be reported by a renter. Some renters may fear retaliation from their landlord if they request repairs or report to code enforcement.

Staff recommends adopting relocation assistance measures and will present options to Council at an upcoming meeting. Additionally, staff will work to promote resources to help property owners make upgrades in exchange for renting to households earning below 80% of Area Median Income through the CDBG revolving loan fund and critical home repair programs. The ordinance includes a reasonable accommodation policy to ensure that any renters with disabilities may have the option of forgoing an inspection in their unit (if entrance to their unit by an inspector poses a health risk). In the future, this program could employ incentives to encourage landlords to keep rents low, to partner with community organizations who are seeking housing placements for clients, or provide other pathways for tenants with higher barriers to access housing.

Many City departments may be impacted by increased work due to implementation of a new program, including: GIS, business licensing, legal and code enforcement. Many departments would also benefit from having access to data about rental housing, as well as ability to communicate with landlords and tenants about City initiatives and resources.

Neighborhood/Community Interests (if known):

Potential changes to Olympia Municipal Code's Rental Housing Code (OMC 5.82) are a topic of significant interest to renters and rental housing owners/operators within the city and around Thurston County. City staff and consultant Jason Robertson conducted engagement with renters and landlords from Fall 2021 to Spring 2022 to review policy options, which lead to adoption of an initial tenant protection ordinance in August 2022.

Approximately 100 landlords and 200 renters responded to an Engage Olympia survey question that

asked how supportive they would be of a rental housing registry to keep landlords updated on rental rules, codes, policies and resources, and potential unit inspections to ensure health and safety. Many renters described environmental health concerns and substandard housing conditions, including mold, pests, and lack of sufficient heating/cooling. Here is a sample of comments from renters during recent public engagement efforts regarding rental housing:

- ‘Mold gave me lung infections. Lack of accessible bathroom has caused falls and multiple injuries because I can't access my powerchair.’
- ‘Every apartment I have ever lived in Olympia has either had rats or mold issues.’
- ‘Code violations are prevalent in lower cost housing and that puts the working class at a disadvantage.’

Both renters and landlords generally expressed support for easily accessible information on laws and resources. Landlords have consistently shared that it is difficult for them to keep up with changing regulations at the state and local level.

- ‘Landlords should have an easy way to access resource for all codes and requirements, following the law needs to be easy. Also, if the information is easy to access then it's much harder for someone who doesn't intend to be in compliance to claim ignorance, and easier for tenants to check if their living situation is within regulations.’ (2022 renter survey participant)
- ‘I think landlords needs to be held responsible for maintaining livable structures. I also think it would be great to be on a list that updates me about rules and changes.’ (2022 landlord survey participant)

Financial Impact:

Creating a new program will require additional staff. Revenue from fees is expected to offset staffing costs to operate the program. At full compliance, fee revenue is anticipated to be approximately \$500,000. Staff expect that it may take 3-5 years to gain program compliance. An initially anticipated deficit in the startup phase of implementation will be covered by funds received through the Buildings Upgrade Prize.

It is anticipated that 2.5 FTE (1 FTE coordinator, 1 FTE code enforcement, and 0.5 FTE permit tech or program assistant) will be needed to operate the program on an ongoing basis. In Year 1, the program will operate with 1.5 FTE (1 FTE coordinator and 0.5 FTE permit tech/program assistant) to establish the program and garner voluntary compliance without enforcement penalties. In Year 2, an additional code enforcement officer will be hired to assist with enforcement to coincide with inspection requirements.

This staff could be hired mid-year to minimize budget impacts, considering most properties will be provided several months' lead time to complete inspections. The program may have additional workload impacts on GIS, business licensing, legal, code enforcement, community planning and development business operations, and housing staff.

Options:

1. Approve the ordinance to establish a rental housing registry and inspection program.
2. Approve the ordinance to establish a rental housing registry and inspection program with amendments.
3. Do not approve the ordinance to establish a rental housing registry and inspection program

and direct staff to take other action.

Attachments:

Ordinance

Draft Inspection Checklist