



Land Use & Environment Committee

Renter Protections Briefing

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Title

Renter Protections Briefing

Recommended Action

Committee Recommendation:

Not referred to a committee.

City Manager Recommendation:

Discuss proposed relocation assistance requirements and move to forward recommendations to the City Council for a public hearing and approval of an ordinance adopting the recommendations.

Report

Issue:

Discuss proposed relocation assistance requirements and move to forward recommendations to the City Council for a public hearing and approval of an ordinance adopting the recommendations.

Staff Contact:

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Presenter(s):

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

Background and Analysis:

At a Council study session in August 2023, staff presented a proposal for a rental housing registry and inspection program, as well as information regarding tenant relocation assistance, late fees and other types of fees. In November 2023, Council approved a proposal to establish a rental housing registry and inspection program that will address housing conditions.

Relocation Assistance

Council directed staff to draft code language to establish relocation assistance measures for tenants who are displaced when their housing unit is condemned, demolished or requires substantial repairs. Staff will present an overview of proposed code language to create two new relocation assistance measures to address tenant displacement. State law (RCW 59.18.085) requires a landlord to pay relocation assistance if the property is condemned or deemed unlawful to occupy by a government

enforcement entity (not required if a natural disaster occurs, because of eminent domain, or caused by a tenant or other third party). Staff has drafted code language similar to Tukwila and Lakewood, which requires landlords to comply with state law and to pay relocation assistance if the property is condemned. If the landlord does not provide the tenant relocation assistance within 7 days of the notice of condemnation, the City will pay the tenant directly and seek reimbursement from the landlord. The amount of relocation assistance is three times the monthly rent or \$2,000 (whichever is more).

State law (RCW 59.18.440) allows cities to require payment of relocation assistance to a low-income tenant (at or below 50% of Area Median Income) if the unit is demolished, substantially rehabilitated, or the use changes. A maximum of \$2,000 of relocation assistance may be provided and annual future adjustments can be made based on the consumer price index. Cities may only require landlords to pay up to half of the total amount of relocation assistance. Staff has drafted code language that the City will pay half and the landlord will pay half of this relocation assistance. Staff has defined change of use as: a residential property being converted to a non-residential use, and conversion from a long term to a short-term rental. A public hearing is required for a City to implement this type of relocation assistance and staff is prepared to hold a public hearing in February if the Committee approves staff's proposed code amendments.

Tacoma and Bellingham renter protections

In November 2023, resident initiatives in Bellingham and Tacoma were approved by voters to provide additional protections for renters. Land Use & Environment Committee requested a briefing on the measures passed and a comparison with current Olympia rental housing code. Staff will present information on the initiatives passed and current Olympia code.

Junk fees

Staff will also review information presented at the August 2023 study session regarding late fees and other types of fees. Staff has heard from community partners and constituents that tenants are being charged excessive fees (examples include: lease renewal fees, notice fees, lease violation fees, and annual administrative fees) or fees for unwanted services, such as a garbage valet. Although a landlord cannot evict a tenant for these types of fees (tenant payments must first be applied to rent), these fees will remain on the tenant's ledger and may eventually end up in collections or added to a judgment following an eviction. Many other Washington cities have limited the amount of late fees that may be charged by a landlord. Both HUD and the National Consumer Law Center have recently released memos and policy guidance on 'junk fees.' Staff will present two approaches that could be used to address junk fees.

Tenant right to install cooling devices

During public engagement around renter protections in 2022, staff heard from tenants that their landlord prohibited them from installing an air conditioning unit. Staff has reviewed sample code language from Oregon and will provide a sample policy.

Tenant option to break lease after receiving notice of rent increase

Washington House Bill 1124 would require longer notice periods for rent increases (similar to what was passed by Olympia City Council in 2022) and includes language that allows a tenant to break their lease after receiving notice of a rent increase over 5%. Similar language is included in Senate Bill 5961. Staff has included this sample language for the Committee's consideration.

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") and Strategy 2.c. ("Provide displaced tenants with relocation assistance").

Climate Analysis:

The proposed rental housing policies are not expected to have an impact on greenhouse gas emissions. Increased use of cooling devices will likely increase energy use in the short-term. The rental housing registry program will work to increase installation of efficient heating/cooling devices, building envelope improvements.

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. 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. These low-income households are more likely to rent and more likely to qualify for relocation assistance.

This proposal is aimed to address disparities that may result from the new rental housing inspection program. Low-income renters are more likely to rent lower cost units that could require significant repairs. Relocation assistance will assist low-income renters in transitioning to new housing when their housing unit or property is condemned, needs major repairs, is redeveloped or converted to a non-residential use. Low-income renters will still be burdened by displacement and may face difficulty in locating a new rental unit that meets their needs and budget. Staff can provide referrals and connections to housing options or supportive services. Staff will continue to seek funding opportunities to help property owners make repairs at lower costs in exchange for renting to low-income households or limiting rent increases for a predetermined time period. Staff will seek funding support and opportunities to provide additional incentives for rental property owners to keep rents lower and rent to low-income households. The program proposal does allow a landlord and tenant to negotiate the tenant moving into a similar unit, if one is available or provide temporary hoteling during renovation.

Renters would benefit from policies to limit additional fees that increase housing costs and prevent unexpected expenses. Renters who struggle to make rent payments are often charged late fees not just once, but daily, until their balance is paid off. Limiting fees may cause landlords to increase rent to offset costs, which would burden renters. Renters would benefit from being able to install cooling devices in their housing units, as these devices help maintain resident health and safety during hot weather. Renters would benefit from being able to break their lease without penalty after receiving a rent increase notice of 5% or more. This would allow renters to transition to an alternative housing unit without fear of additional costs or fees.

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 to provide tenant relocation assistance. Landlords may be negatively impacted if their rental properties are condemned and need to be demolished or taken off the rental market for major renovation to take place. Landlords benefit from cost-sharing of relocation assistance with the City when low-income tenants are displaced due to demolition, substantial rehabilitation or change of use.

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. Staff has heard from renters and advocates in the community regarding junk fees and need for air conditioning units.

There is considerable local and state interest in establishing measures to address tenant displacement, including new requirements for cities to perform displacement analysis in their Comprehensive Plan Updates. About 54% of landlords and 88% of renters who participated in a 2022 Engage Olympia survey expressed support for the concept of a tenant relocation assistance program, though landlords expressed concern regarding how the program would be funded.

Financial Impact:

Additional costs are not anticipated if the City adopts renter protections that address junk fees, provide tenants the right to install cooling devices, or ability to break their lease early without penalty. The City will advance relocation assistance costs and seek reimbursement from landlords when a property is condemned (if the landlord fails to pay the tenant within 7 days of the condemnation notice). Other cities with similar policies have not reported any losses where the City was not repaid by the property owner.

The City will incur costs related to relocation assistance paid to low-income tenants who are displaced due to demolition, substantial rehabilitation, or change of use (conversion to non-residential use or to a short-term rental). The City will pay 50% of total relocation assistance costs in these circumstances. Staff recommends budgeting \$25,000 annually for relocation assistance costs, based on information provided by similar programs in Tacoma and Seattle (adjusted for population size). As part of the Buildings Upgrade Prize awarded to the City, \$100,000 was set aside as flexible funding that could be used for seed money, matching funds, subsidized energy audits, and tenant relocation assistance to accommodate major upgrades for energy efficiency. Because of the City’s successful Buildings Up phase 1 award, city staff will have the opportunity to compete for an additional \$400,000 in the next funding round. Staff can request additional funding depending on the needs and what we learn in the initial phase. Additional funding may be supplemented by rental housing registry fees.

Options:

1. Discuss relocation assistance provisions and forward as drafted to Council for consideration. Direct staff to draft code language on additional topics in briefing.
2. Modify relocation assistance provisions before forwarding to Council. Direct staff to draft code language on additional topics in briefing. Modifying proposed code amendments may delay implementation of a relocation assistance program.
3. Do not forward relocation assistance provisions to Council. If Council takes no action to address potential displacement, tenants will be at greater risk of housing instability if their

housing unit is condemned, demolished, needs substantial rehabilitation or the use changes.

Attachments:

- Relocation Assistance Draft Language
- Text of Bellingham Initiative
- Text of Tacoma Initiative 2023-01
- Oregon Factsheet Regarding Cooling Devices
- House Bill 1124 and Senate Bill 5961 Sample Language
- HUD Memo Regarding Junk Fees
- National Consumer Law Report on Junk Fees