



City Council

Approval of an Ordinance Amending Olympia Municipal Code Related to Relocation Assistance and Additional Renter Protections

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Title

Approval of an Ordinance Amending Olympia Municipal Code Related to Relocation Assistance and Additional Renter Protections

Recommended Action

Committee Recommendation:

The Land Use & Environment Committee recommends approval of the Ordinance amending OMC 5.82 related to relocation assistance and additional renter protections.

City Manager Recommendation:

Move to approve the Ordinance amending OMC 5.82 related to relocation assistance and additional renter protections.

Report

Issue:

Whether to approve the Ordinance amending OMC 5.82 related to relocation assistance and additional renter protections.

Staff Contact:

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Presenter(s):

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

Background and Analysis:

There are changes to the Ordinance between first and second reading.

At the first reading, the City Council directed staff to make the following amendments to the ordinance for the second reading:

- *Broaden the definition of 'immediate family member' to include aunt, uncle, and family by adoption;*
- *Increase the timeline for breaking a lease upon notice of a rent increase of 5% or more from 20 days to 30 days;*

- *Add a requirement for landlords to provide tenants, at the time of lease signing, a letter written by the City that identifies the rights of renters and who to contact, if they feel those rights have been violated;*
- *Adjust the threshold for economic displacement relocation assistance. Previously proposed code language required landlords to pay two months' worth of relocation assistance if the rent is increased by more than 5% but less than 10%, and to pay three months' worth of relocation assistance if the rent is increased by 10% or more. Council directed staff to adjust the threshold and amount of relocation assistance. Updated code language requires landlords to pay tenant relocation assistance if the rent is increased by 7% or more over a 12-month period and change the amount of relocation assistance to 2.5 months' worth of rent.*

Council also directed staff to further explore a pilot project for lease to own arrangements to be exempted from these policies.

Background

Over 53% of Olympia households rent rather than own their homes. Renters earn less and experience greater housing cost burden than homeowners in Olympia. The median annual household income of Olympia homeowners is \$106,650 compared to \$49,357 for Olympia renting households. The median monthly housing cost for Olympia homeowner households is \$1,680, compared to \$1,437 for Olympia renting households. Over 54% of Olympia renters are cost-burdened (spending over 30% of their income on housing costs), compared to 20% of Olympia homeowners. About 19% of Olympia renters spend less than \$1,000/month on rent, while 31% of Olympia homeowners spend less than \$1,000/month on housing costs.

Public Engagement

The City started the process to engage landlords and renters in March 2020 by holding a community meeting, but efforts were then put on hold by the COVID-19 pandemic. City staff began efforts again in mid-2021 to engage the community and explore policy options to help renters access housing and stay stably housed. The City held a series of focus groups (with renters, tenant advocates, small landlords, and larger landlords/property managers), one-on-one stakeholder interviews, meetings with peer cities in Washington, and online surveys. Over 500 individuals (landlords, renters, and interested 3rd parties) participated in online surveys to provide feedback to the City regarding several potential tenant protection policies, which included a rental registry, relocation assistance, caps to fees, and longer notice periods for rent increases, among other policies. In late 2022 and early 2023, the City also led a countywide effort to complete an Assessment of Fair Housing. Over 600 individuals participated in an online survey and provided input about their experiences with housing in Thurston County.

Staff has had ongoing contact with interested parties throughout this process. Staff has also provided training and outreach through mailers to property owners, community meetings such as property management groups, and hosted webinars about the tenant protections passed by the City. Staff participates in a monthly Rental Housing Workgroup, which helps staff stay engaged with community nonprofit partners who help community members access housing and learn about challenges in accessing housing. Staff has informed community members about upcoming opportunities to provide input when the Council has discussed these issues, including the recent public hearing held on March 19. Many community members have provided public comment at Committee meetings, Council study sessions, public hearings, and Council meetings.

Development of Proposed Amendments

At a City 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. At the Land Use & Environment Committee meeting in January 2024, staff were directed to forward proposed code amendments to Council regarding relocation assistance, junk fees, tenant right to install cooling devices in their units, and providing tenants the option to break lease after receiving notice of a rent increase over 5%. The Committee also reviewed recent tenant protections passed by citizen initiatives in Bellingham and Tacoma. Staff was also directed to draft Economic Displacement Relocation Assistance provisions which would require landlords to pay relocation assistance to tenants who are forced to move because their rent increased by more than 5%.

Relocation Assistance

At its August 2023 Study Session, the City 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. At the January 2024 Land Use and Environment Committee meeting, staff presented draft 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 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 drafted code language that the City will pay half and the landlord will pay half of this relocation assistance. A public hearing is required for a City to implement this type of relocation assistance.

Junk 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. Staff has followed a sample policy adopted by the State of Oregon that restricts the types of fees that landlords may charge and has included draft code amendments.

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 followed a sample policy adopted by the State of Oregon and has included draft code amendments. According to Olympia's Climate Conditions report, extreme hot weather (above 90°F) days are projected to occur more often than the current baseline of 14.1 days per year. As early as the 2030-2059 time period, Olympia could have around 24.2 additional 90°F days each year.

Tenant option to break lease after receiving notice of rent increase

In August 2022, Olympia City Council passed an ordinance that requires longer notice periods for rent increases over 5% and 10% to allow tenants more time to plan for the increase or seek alternative housing arrangements. Staff drafted code amendments that would allow tenants to break their lease early without penalty if they find alternative housing before the rent increase takes effect by providing their landlord with 20 days' written notice.

Tenant screening policies

Tenant screening policies can include consideration of an applicant's criminal history, credit history, eviction history, employment history, and income, among other factors. Tenant screening practices present significant barriers for renters to access housing opportunities, particularly for people who are low-income, formerly incarcerated individuals, members of protected classes (such as people of color, people who were born outside the U.S., and people with disabilities). At the January 2024 Land Use and Environment Committee, staff were directed to bring sample policy language regarding tenant screening for public comment at the public hearing. Staff has provided sample policies regarding income to rent ratios, criminal history screening, credit history screening, eviction history screening, and requirements to provide alternative documentation to establish eligibility besides a Social Security Number. No code amendments are currently proposed but may be brought to Council at a later date.

Amendment to the Rental Registration, Licensing and Inspection Requirements

Staff has been in communication with multiple property owners through the implementation of the new rental registry. Staff has heard from property owners who rent to family members at lower rates in order to help that family member access housing, and who intend to sell if their family member ever moves out of the property. Staff has drafted an exemption to the rental registration, licensing and inspection requirements for property owners who rent to a family member. Staff has also drafted an affidavit that these property owners can fill out to request this exemption.

A public hearing was held on March 19, 2024. Landlords, property managers, tenants, tenant advocates and other interested third parties provided comments. Several landlords expressed concerns that these regulations will push small landlords to sell their rental properties and indicated that most smaller landlords operate on thinner margins where rent increases are to cover increasing operating costs. Tenants and tenant advocates noted that rising housing costs are beyond what most people can afford and increasing more rapidly than wages, leading many tenants to move out of the area, live out of their cars, face health impacts, and other concerns. Over 30 written comments were also submitted to staff.

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

Strategy 2.f. (“Explore barriers and policies that can increase access to housing for formally incarcerated individuals”). These measures also align with countywide workplans, including the Thurston County Homeless Crisis Response Plan and Thurston County Assessment of Fair Housing. The Homeless Crisis Response Plan identifies the following actions to help residents stay housed: ensure that when tenants are asked to relocate that they are supported in that transition in order to prevent households falling into homelessness; enact and implement tenant protection laws and fund enforcement; and keep currently housed individuals and families in their housing by addressing housing quality issues as they rise. The Assessment of Fair Housing prioritizes the following goals to address disparities identified in Thurston County: improve environmental health in housing units; reduce barriers to accessing housing; and explore options for tenant 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 and 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. Additional staff time will be required to enforce these provisions. 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:

Type: ordinance **Version:** 2 **Status:** Passed

1. Approve the ordinance to amend OMC 5.82.
2. Modify the ordinance to amend OMC 5.82.
3. Do not approve the ordinance to amend OMC 5.82 and direct staff to take other action.

Attachments:

Ordinance - First Reading