

## **HOUSE BILL ANALYSIS SSB 6663**

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**Title:** An act relating to preserving federally assisted housing and minimizing the involuntary displacement of tenants residing in such housing.

**Brief Description:** Preserving federally assisted housing and minimizing the involuntary displacement of tenants residing in such housing.

**Sponsors:** Senators Wojahn, Prentice, Winsley and Kohl-Welles.

### **BRIEF SUMMARY OF BILL**

- Provides an exemption from the 12-month advance notice requirements for owners of federally assisted housing that enter into an agreement to continue the low-income use restrictions.
- Requires additional information in the 12-month advance notice that is sent to tenants, public housing agencies, local governments, and the Department of Community, Trade, and Economic Development.
- Makes owners of federally assisted housing subject to statutory damages for failure to provide adequate notice to tenants and civil penalties for failure to comply a written notice to comply with the notification requirements

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### **HOUSE ECONOMIC DEVELOPMENT, HOUSING & TRADE COMMITTEE**

**Staff:** Kenny Pittman (786-7392)

**Background:**

The State's Residential Landlord-Tenant Act requires owners of federally assisted multifamily rental housing developments to give tenants a written 12-month advance notice prior to the expiration of a rental assistance contract, or prepayment of an obligation that would allow early termination of specific low-income occupancy requirements. The federal assistance is provided either through the U.S. Department of Housing and Urban Development or the U.S. Department of Agriculture--Rural Development, and can be in the form of direct loans, loan guarantees, mortgage insurance, or project-based rental subsidies. The owner of the federally assisted housing is not prohibited from terminating a rental assistance contract or prepaying the federally assisted mortgage or loan.

The 12-month advance notice must be given to each tenant, local government officials, and the Department of Community, Trade, and Economic Development (DCTED). The notice to the tenants must include the date of expiration or prepayment and the effects, if any, that the expiration or prepayment will have on the tenant's rent and other terms of their rental agreement. The notice to the DCTED and local governments must contain a variety of information designed to help them assess the impact of the expiration or prepayment.

During the 12 months following the notice, tenants may not be evicted (except for good cause), rents may not be raised, and the terms of the rental agreements cannot be modified except as permitted under the existing agreement.

The owner of the federally assisted multifamily rental housing development is liable for damages suffered by tenants, plus reasonable attorney fees, as a result of not providing proper notification to tenants and governmental bodies.

The 12-month advance notice requirements do not apply to owners participating in the section 8 rental assistance certificate or voucher programs.

### **Summary of Bill:**

#### *12-Month Advance Notification--Application*

An owner of federally assisted housing is not required to give the 12-month notice on either the prepayment of a mortgage or loan or termination of a rental assistance contract if: (1) For prepayment of a subsidized mortgage or loan, the owner has entered into an agreement with a governmental agency to either continue existing or impose new low-income use restriction for a period of at least 20 years; or (2) For expiration of a rental assistance contract, the owner has entered into an agreement to renew the rental assistance contract for a minimum of 5 years, subject to available funds.

The 12-month notice given to the DCTED and local governments must also be given to public housing agencies that would be impacted by the termination of the rental assistance contract or prepayment of the mortgage. A copy of the agreement must be posted in a conspicuous place at the housing development.

#### *12-Month Advance Notification--Owner's Duty*

The parties required to receive the 12-month notice of possible prepayment of the mortgage or loan or expiration of the rental assistance contract is expanded to include public housing agencies that would be responsible for administering tenant-based rental assistance to tenant that would be displaced by the prepayment of the mortgage or loan or expiration of the rental assistance contract.

The owner of the federally assisted housing must provide a copy of the 12-month notice of possible prepayment of the mortgage or loan or expiration of the rental assistance contract to new tenants that move in after the notice has been given, but before the prepayment or expiration dates. The notice must be given before the execution of the rental agreement or payment of any deposits.

#### 12 Month Advance Notification--Contents

The required contents in the 12-month notice is expanded to include: (1) whether the owner (i) intends to prepay the mortgage or loan or renew the rental assistance contract subject to available funding or (ii) is seeking additional financial incentives or higher rents as a condition of remaining in the federal program; (2) the owner's reason for their action; (3) the owner's plans for the housing development, including any timetables and deadlines for actions to be taken by the owner and any required governmental approvals; (4) the anticipated date of prepayment of the mortgage or loan or termination of the rental assistance contract; (5) the effect of the prepayment or termination on the tenants' rents and other terms of their rental agreement; and (6) a statement that the additional information will be provided on the local government, on the local public housing agency, and on the DCTED.

The required notice to the clerk of the local government where the housing development is located is revised to require information: (1) on the current rents and projected rent increases for each affected tenant, without disclosing the identities of individual tenants; and (2) the age, race, family size, and estimated incomes of applicants on the waiting list of the housing development, without disclosing the identities of individuals on the waiting list.

All owners of federally assisted housing must: (1) post a copy of any notices they send to the clerk of the local government where the housing development is located, the local public housing agency, and the DCTED; and (2) provide copies, to a state or local government agency, of any feasibility or market analysis, or property inspection reports required by a federal agency.

#### 12 Month Advance Notification--Failure to Comply/Penalties

A tenant of federally assisted housing may recover statutory damages of not less than \$500, but not more than \$2,500 if the owner fails to provide the 12-month notice. An owner that fails to comply with a written demand to provide the required notification, may be subject to civil penalties of \$1,000 per month for each housing unit in the federally assisted housing development, up to a maximum of \$12,000 per unit. All civil penalties collected must be deposited into the Washington Housing Trust Fund.

#### Department of Community, Trade, and Economic Development--Responsibilities

The DCTED must: (1) consult with interested stakeholders and develop information on the legal rights, responsibilities, and options of owners and tenants when the owner of federally assisted housing prepays the mortgage or loan or terminates the rental assistance contract; and (2) provide written information to owners of federally assisted housing to assist them in meeting the state's 12-month notice requirements.

*Miscellaneous Provisions*

An owner of federally assisted housing that prepays the mortgage or loan or whose rental assistance contract expires, but continues to operate the property as residential housing may not evict a tenant residing in the housing unit, except as authorized by the applicable federal assistance program.

It is considered an unfair practice for an owner who continues to rent housing units, to refuse to rent a housing unit to any tenant who resided in the housing unit while it was federally assisted housing because the tenant will have to rely on tenant-based rental assistance to pay for a portion of the rent or the owner does not wish to participate in a government funded tenant-based rental assistance program.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill contains an emergency clause and takes effect immediately.