

SENATE BILL REPORT

SB 5286

As Reported by Senate Committee On:
Financial Institutions & Insurance, January 31, 2017

Title: An act relating to prohibiting regulation of the amount of rent for commercial properties.

Brief Description: Prohibiting regulation of the amount of rent for commercial properties.

Sponsors: Senators Angel, Hobbs, Fain and Takko.

Brief History:

Committee Activity: Financial Institutions & Insurance: 1/26/17, 1/31/17 [DPS, DNP].

Brief Summary of Substitute Bill

- Prohibits counties, cities, and towns from regulating rents on commercial buildings or sites.

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

Majority Report: That Substitute Senate Bill No. 5286 be substituted therefor, and the substitute bill do pass.

Signed by Senators Angel, Chair; Fain, Fortunato and Hobbs.

Minority Report: Do not pass.

Signed by Senators Mullet, Ranking Minority Member; Kuderer.

Staff: Jeff Olsen (786-7428)

Background: The imposition of rent controls on residential structures is of statewide significance and is preempted by the state. Counties, cities, and towns are prohibited from regulating the amount of rent charged on single-family or multiple-unit residential rental structures. However, local rent control is not prohibited for properties in public ownership or public management, properties providing low income rental housing under joint public-private agreements, or floating home moorage sites.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Cities are classified into different categories depending on their population at the time of organization or reorganization. There are four classification types including first class cities, second class cities, code cities, and towns.

Summary of Bill: The bill as referred to committee not considered.

Summary of Bill (First Substitute): Counties, cities, and towns are prohibited from enacting, maintaining, or enforcing any ordinance or other provisions which regulate the amount of rent to be charged for commercial rental structures or sites. However, the preemption does not apply to local rent control for properties in public ownership or properties under public management. A county, city, or town may enter into agreements with private persons that regulate or control the amount of rent to be charged for commercial properties.

EFFECT OF CHANGES MADE BY FINANCIAL INSTITUTIONS & INSURANCE COMMITTEE (First Substitute): The proposed substitute expands the preemption to include code cities and counties, in addition to first and second class cities and towns.

Appropriation: None.

Fiscal Note: Not requested.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony on Proposed Substitute: *The committee recommended a different version of the bill than what was heard.* PRO: Commercial rent control does not work. Other areas of the country have unsuccessfully tried commercial rent control and it is a disincentive to investments, leads to deferred maintenance, and hurts consumers. Commercial property brings in significant amounts of taxes to state and local governments, and commercial rent control would create uncertainty in the market and slow investments. Commercial rents can vary significantly in market cycles, and recently prices dropped. Rent control is damaging to owners and the marketplace. Shopping centers compete against Internet shopping and need to make investments to benefit businesses and customers and keep shopping centers fresh and current.

CON: Gentrification impacts affordability of commercial property and alters the character of neighborhoods. By preempting commercial rent control, it takes away a tool of local governments.

Persons Testifying: PRO: Rodney Kauffman, Building Owners and Manager's Association; Don Arsenault, WA Self Storage Assn; William McKay, Washington Self Storage Assoc., citizen; Michael Foley, International Council of Shopping Centers; Craig Hillis, MHCW.

CON: William Daley, Washington Community Action Network.

Persons Signed In To Testify But Not Testifying: No one.