

# HOUSE BILL REPORT

## ESHB 2114

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**As Passed House:**

February 13, 2024

**Title:** An act relating to improving housing stability for tenants subject to the residential landlord-tenant act and the manufactured/mobile home landlord-tenant act by limiting rent and fee increases, requiring notice of rent and fee increases, limiting fees and deposits, establishing a landlord resource center and associated services, authorizing tenant lease termination, creating parity between lease types, and providing for attorney general enforcement.

**Brief Description:** Improving housing stability for tenants subject to the residential landlord-tenant act and the manufactured/mobile home landlord-tenant act by limiting rent and fee increases, requiring notice of rent and fee increases, limiting fees and deposits, establishing a landlord resource center and associated services, authorizing tenant lease termination, creating parity between lease types, and providing for attorney general enforcement.

**Sponsors:** House Committee on Appropriations (originally sponsored by Representatives Alvarado, Macri, Ramel, Peterson, Mena, Slatter, Farivar, Taylor, Doglio, Cortes, Fitzgibbon, Gregerson, Berry, Senn, Reed, Bateman, Ortiz-Self, Simmons, Ormsby, Street, Chopp, Orwall, Bergquist, Berg, Wylie, Stonier, Lekanoff, Fosse, Riccelli, Pollet, Kloba and Davis).

**Brief History:**

**Committee Activity:**

Housing: 1/11/24, 1/16/24 [DP];

Appropriations: 1/24/24, 2/3/24 [DPS].

**Floor Activity:**

Passed House: 2/13/24, 54-43.

**Brief Summary of Engrossed Substitute Bill**

- Limits rent and fee increases to 7 percent during any 12-month period and prohibits rent and fee increases during the first 12 months of a

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

tenancy for tenants subject to the Residential Landlord-Tenant Act and the Manufactured/Mobile Home Landlord-Tenant Act, regardless of the length of their lease, with certain exemptions.

- Provides certain other protections for tenants, such as rent and fee increase notice requirements; tenant lease termination provisions; limits on move-in fees, security deposits, and late fees; and requirements for parity between month-to-month and longer-term rental agreements.
- Provides remedies and enforcement mechanisms, including Attorney General enforcement of certain provisions in the bill under the Consumer Protection Act and a private cause of action for damages against landlords who violate certain provisions of the bill.
- Requires the Department of Commerce to create an online landlord resource center and to contract with an independent third party to carry out a social vulnerability assessment of the impacts of rent stabilization.
- Requires the Attorney General to publish model lease provisions regarding rent and fee increases.

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## HOUSE COMMITTEE ON HOUSING

**Majority Report:** Do pass. Signed by 8 members: Representatives Peterson, Chair; Alvarado, Vice Chair; Leavitt, Vice Chair; Bateman, Chopp, Entenman, Reed and Taylor.

**Minority Report:** Do not pass. Signed by 5 members: Representatives Klicker, Ranking Minority Member; Connors, Assistant Ranking Minority Member; Barkis, Hutchins and Low.

**Staff:** Audrey Vasek (786-7383).

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## HOUSE COMMITTEE ON APPROPRIATIONS

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 19 members: Representatives Ormsby, Chair; Bergquist, Vice Chair; Gregerson, Vice Chair; Macri, Vice Chair; Berg, Callan, Chopp, Davis, Fitzgibbon, Lekanoff, Pollet, Riccelli, Ryu, Senn, Simmons, Slatter, Springer, Stonier and Tharinger.

**Minority Report:** Do not pass. Signed by 10 members: Representatives Corry, Ranking Minority Member; Chambers, Assistant Ranking Minority Member; Connors, Assistant Ranking Minority Member; Couture, Assistant Ranking Minority Member; Dye, Harris, Rude, Sandlin, Schmick and Wilcox.

**Staff:** Jessica Van Horne (786-7288).

**Background:**

Residential Landlord-Tenant Act.

The Residential Landlord-Tenant Act (RLTA) governs the legal duties, rights, and remedies related to any rental agreement between a landlord and a tenant for a residential dwelling unit.

*Rent Increases and Rent Increase Notice Requirements.*

Generally, a landlord subject to the RLTA is required to provide each affected tenant with written notice of a rent increase at least 60 days before the increase, and any increase in rent may not become effective prior to completion of the term of the rental agreement.

However, if the rental agreement is for a subsidized tenancy where the amount of rent is based on the income of the tenant or circumstances specific to the subsidized household, a landlord must provide each affected tenant with written notice of a rent increase at least 30 days before the increase, and an increase in rent may become effective upon completion of the term of the rental agreement or sooner upon mutual consent.

*Tenant Lease Termination.*

Generally, a tenant subject to the RLTA may end a rental agreement by providing a landlord with written notice at least 20 days before the end of any month for a month-to-month tenancy, or written notice at least 20 days before the end date specified in the rental agreement for a longer-term tenancy. However, upon receiving certain military orders, a tenant who is a member of the armed forces may end a month-to-month tenancy with less than 20 days of written notice and may end a longer-term tenancy with at least 20 days of written notice at any time during the tenancy.

Manufactured/Mobile Home Landlord-Tenant Act.

The Manufactured/Mobile Home Landlord-Tenant Act (MHLTA) governs the legal duties, rights, and remedies related to any rental agreement between a landlord and a tenant for a manufactured/mobile home lot within a manufactured/mobile home park where the tenant has no ownership interest in the property or in the association that owns the property.

*Rent Increases and Rent Increase Notice Requirements.*

Under the MHLTA, a rental agreement between a landlord and a tenant is generally not allowed to contain any provisions that allow the landlord to increase the rent during the term of the rental agreement if the term is less than two years, or more frequently than annually if the initial term is for two years or more. However, an exception is provided for certain escalation clause provisions.

A landlord subject to the MHLTA who intends to increase the rent upon the expiration of the term of a rental agreement must notify the tenant in writing three months prior to the effective date of the rent increase.

### *Tenant Lease Termination.*

Generally, a tenant subject to the MHLTA may end a rental agreement by providing a landlord with written notice one month before the expiration of the rental agreement. However, a tenant may end a rental agreement with 30 days of written notice at any time during the rental agreement whenever a change in the location of the tenant's employment requires a change in residence. Additionally, a tenant who is a member of the armed forces may end a rental agreement with less than 30 days of written notice at any time during the rental agreement if the tenant receives certain military orders that do not allow for greater notice.

### Consumer Protection Act.

The Consumer Protection Act (CPA) prohibits unfair or deceptive acts or practices in trade or commerce; the formation of contracts, combinations, and conspiracies in restraint of trade or commerce; and monopolies. A person injured by a violation of the CPA may bring a civil action to enjoin violations and recover certain damages, costs, and attorneys' fees.

The Attorney General (AG) may bring an action in the name of the state, or on behalf of persons residing in the state, against any person to enjoin violations of the CPA and obtain restitution. The AG may seek civil penalties up to the statutorily authorized maximums against any person who violates the CPA. Civil penalties are paid to the state.

### **Summary of Engrossed Substitute Bill:**

#### Rent and Fee Increase Limit.

Unless an exemption applies, a landlord is prohibited from increasing the rent and fees for a tenant subject to the RLTA or the MHLTA, regardless of the length of their lease, in an amount greater than 7 percent during any 12-month period, or by any amount during the first 12 months after the tenancy begins.

#### Exemptions to the Rent and Fee Increase Limit.

The following exemptions to the rent and fee increase limit are allowed:

- *Newly Constructed Dwelling Units.* Rent and fee increases for dwelling units under the RLTA where the first certificate of occupancy was issued 10 or less years before the date of the notice of the rent and fee increase are exempt from the limit. This exemption does not apply to tenants under the MHLTA.
- *Eligible Organizations.* Rent and fee increases during the first 12 months after the qualified sale of a manufactured/mobile home community (MHC) to an eligible organization under the MHLTA whose mission aligns with the long-term preservation and affordability of the MHC are exempt from the limit if the rent and fee increases are needed to cover the cost of purchasing the MHC and are approved by the majority of homeowners in the MHC. This exemption does not apply to tenants under the RLTA.
- *Public and Nonprofit Organizations.* Rent and fee increases that comply with legally

binding and recorded regulatory agreements for dwelling units or manufactured/mobile home lots operated by a public housing authority, public development authority, or nonprofit organization where maximum rents are regulated by other laws or local, state, or federal affordable housing program requirements are exempt from the limit.

#### Rent and Fee Increase Notice Requirements.

A landlord must provide tenants with written notice of rent and fee increases in a specific format. If a landlord claims an exemption from the rent and fee increase limit, the landlord must include facts supporting any claimed exemptions in the notice. The notice must be served in accordance with the process for service of notice in the evictions chapter.

The notice must comply with the 60-day notice requirement for rent increases in the RLTA or the three-month notice requirement for rent increases in the MHLTA. However, unless the exemption for certain public and nonprofit organizations applies, if a landlord under the RLTA or MHLTA intends to increase the rent and fees by 3 percent or more, the landlord must provide each affected tenant with notice at least 180 days before the effective date of the increase.

#### Tenant Lease Termination.

Unless the exemption for certain public and nonprofit organizations applies, a tenant may terminate a rental agreement at any time before the effective date of a rent and fee increase that is 3 percent or more by providing the landlord with at least 20 days of written notice under the RLTA or 30 days of written notice under the MHLTA. When terminating a rental agreement under these circumstances, the tenant only owes pro rata rent until the tenant vacates the dwelling unit or manufactured/mobile home lot, and the landlord is prohibited from charging the tenant any fines or fees for terminating the rental agreement.

#### Other Tenant Protection Provisions.

In addition to the rent and fee increase limit, rent and fee increase notice requirements, and tenant lease termination provisions, the following protections are provided for tenants subject to the RLTA and MHLTA:

- Move-in fees and security deposits combined may not exceed one month's rent.
- Late fees may not exceed \$10 per month.
- Landlords are prohibited from charging a higher rent or fees or including terms or conditions in a rental agreement that are more burdensome to a tenant for a month-to-month rental agreement than for a longer-term rental agreement, or vice versa.
- Landlords are prohibited from reporting a tenant to a tenant screening service provider for failure to pay rent or fees that were unlawfully increased in violation of the limit.
- It is a defense to an eviction or other legal action that the action was for nonpayment of rent or fees that were unlawfully increased in violation of the limit.

#### Remedies and Enforcement.

A landlord who violates the rent and fee increase limit, rent and fee increase notice requirements, tenant lease termination provisions, or other tenant protection provisions in the bill is liable for damages in the amount of any excess rent, fees, or other costs paid by the tenant; mandatory damages equal to three months of any unlawful rent, fees, or other costs charged by the landlord; and reasonable attorneys' fees and costs.

The AG is authorized to enforce the rent and fee increase limit, rent and fee increase notice requirements, tenant lease termination provisions, and other tenant protection provisions in the bill under the CPA.

A local government may also adopt policies, ordinances, or other regulations to enforce the bill.

#### Landlord Resource Center.

The Department of Commerce is required to create an online landlord resource center to distribute information to landlords about available programs and resources, such as the landlord mitigation program, low-income weatherization programs, local government resources, and model lease provisions regarding rent and fee increases created by the AG.

The AG is required to publish model lease provisions regarding rent and fee increases in the top 10 languages spoken in Washington. The model lease provisions must be published digitally on the AG's website and in hard copy upon request to landlords, tenants, and other relevant entities. The AG is required to publish the first version of the model lease provisions by January 1, 2025, and must periodically publish new versions as necessary to incorporate any relevant changes to the RLTA.

#### Social Vulnerability Assessment.

The Department of Commerce must contract with an independent third party to carry out a social vulnerability assessment of the impacts of limiting rent increases to 7 percent per 12-month period. The assessment is to consider the following:

- the impact on extending tenancies due to rent capping;
- impacts on cost burdened, immutable characteristic communities, or rural communities;
- whether rent stabilization creates a disproportionate burden on new or transitioning renters as a result of current tenants' rent being capped;
- impacts on alternative rental markets; and
- impacts on state-owned or state-run housing units.

The assessment must be provided to the Legislature by the end of 2026.

#### Definition of Rent under the MHLTA.

A definition of "rent" or "rental amount" is added to the MHLTA that is similar to the definition provided in the RLTA. For the MHLTA, these terms are defined as recurring and periodic charges identified in the rental agreement for the use and occupancy of the

manufactured/mobile home lot, which may include certain charges for utilities. These terms do not include nonrecurring charges for costs incurred due to late payment, damages, deposits, legal costs, or other fees.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill contains an emergency clause and takes effect immediately. However, the bill is null and void unless funded in the budget.

**Staff Summary of Public Testimony (Housing):**

(In support) People across Washington are struggling to pay rent. Hardworking people who work in grocery stores and hospitals are being forced to move farther and farther away from their jobs because they cannot pay rent. Evictions and homelessness are on the rise. Households of color disproportionately bear the impact of rent increases. Family members are forced to move far away from each other to afford rent. For some seniors on fixed incomes, rent increases can make it impossible to stay in their homes.

Housing insecurity has a negative impact on mental health. Both children and adults experience mental health crises due to housing insecurity. When landlords can raise rent by whatever the market will bear, tenants who cannot afford the increase are often left with only months to find a new place to live. Some renters who are displaced from their homes end up living in their cars. The stress of not knowing how much rent will increase by can be all-consuming for renters.

Rent stabilization will give renters the same housing stability and security that homeowners have. This bill can provide some stability in the single greatest area of a household's budget: housing costs. If rent is stabilized, more people might be able to save money to buy a home. It is tough for someone to become a homebuyer if they cannot afford rent.

This bill allows landlords to raise the rent but prevents excessive rent increases. This legislation is not rent control. When a tenant vacates a unit, the landlord is allowed to raise the rent. This bill is about stepping up and protecting against exorbitant rent increases that are hurting families.

Some landlords support the bill. A 5 percent cap on rent increases is more than some landlords find that they need to pay their expenses. Cash flow is not the only way landlords profit. Some landlords also benefit from increasing property values and from tax deductions for rental property expenses.

Some renters have experienced rent increases despite having many unfixed repair issues and decreases in services and amenities.



Some communities are majority renters. A 10 percent rent increase might not make much of a difference for a landlord, but a 10 percent increase can be tough for many tenants and would lead to less money being spent in the community.

(Opposed) This bill does not target those who are most in need. The benefits will mostly go to people who are upper and middle class. Targeted, means-tested financial supports are the best and most impactful way to help those who are most in need.

Rent control reduces housing supply and makes housing more expensive for people in the long-term. This is why economists generally do not like rent control. A recent study looking at what the impact of rent control would be in the state shows that a 5 percent limit on rent increases will reduce the amount and volume of housing being built. A study of the impacts of rent control in San Francisco showed that it reduced housing production and increased rent.

The state should focus on adding housing supply instead of rent control. Developers are cautious about developing residential housing in places that have rent control, such as Vancouver, British Columbia, and have come to the Puget Sound region to build residential housing instead. Rent control will decrease the amount of housing being built in the Puget Sound region.

This bill will force housing providers to make difficult decisions and could cause some landlords to remove their homes from the rental market or sell them. When sold, most of these homes convert to owner-occupied units. In markets with rent control, there has been a shift away from rental housing to for-sale housing, and the shrinkage in the rental housing market has not helped the affordability in the for-sale housing market.

The housing market is volatile. Over a long period of time, the years where a landlord can raise rent will help offset the years where the landlord cannot raise the rent. However, with rent control, a landlord does not have the ability to make up for the years where the landlord was unable to raise the rent.

Rent control is the largest policy factor in this bill, but some of the other policies in this bill are also troubling, go beyond what is required in other restrictive markets, and will create more burdens on operators of rental housing. Some rental housing operators in the state have experienced cost increases of over 20 percent in the past several years. The policies in this bill will not help with these cost increases.

With a \$10 limit on late fees, rental housing operators will have to spend a lot more time collecting rent because there will be no incentive for people to pay rent on time. Some housing providers currently offer discounted long-term leases. If a housing provider is required to offer month-to-month renewals at the same price as long-term leases, vacancy rates will increase because tenants will leave at times of year when it is hard to fill



vacancies and housing units might not be available at other times of year when many people are looking for housing.

Many housing providers do not benefit from the stability of a 30-year fixed term mortgage. The most common form of lending in this environment is a 10-year loan with a balloon rate, so a lot of housing providers are unable to compensate for factors that are out of their control.

Rents do not always go up. In some cases, the rent on some units and lots has gone down between tenancies. In the face of a housing crisis, the policy response should not be complex regulations that will stifle market innovation and attempts to find new solutions.

### **Staff Summary of Public Testimony (Appropriations):**

(In support) Housing is one of the biggest concerns and most important needs for Washington's population. Half of the state's residents are renters, including many students and members of the state workforce. Every Washingtonian deserves to live in a safe, affordable home. The rising cost of rents is very concerning, especially the uncertainty and unpredictability of rent and fee increases. People are being priced out of where they live. Many young adults avoid starting a family because they fear not being able to afford housing and childcare or other essential costs. Homeownership provides stable and predictable housing costs, but renters do not have similar predictability. Mortgage payments do not increase by the same amounts that rents do. A 10 percent increase in rent is significant, especially when renters must consider other necessities. Stabilizing rents will allow for renters to manage their own budgets, especially those on fixed incomes.

There is a moral imperative to address the economic pressures in the housing market, especially given the growing homelessness crisis. Rising rents, rather than other factors like drug addiction, are the true cause of homelessness. People cannot sustain themselves when rents are rising by 20 percent or more. While the state has addressed housing supply and provided more funding for affordable housing, it must also address rising rents. Building more affordable housing is not enough to solve the problem when the flow of people who need it is not slowing down. The rent stabilization provisions in this bill will help address the root causes of homelessness while newly enacted legislation focused on housing supply begins to take effect. There must be a statewide standard of living and equal access to basic human needs. The current state of the housing market is particularly hard for the most vulnerable populations, including queer people, people of color, seniors, people with disabilities, and others living on fixed incomes. They are also the populations disproportionately falling into homelessness.

Mobile home park residents are also vulnerable to rising rents. While park residents own their own homes, they must rent the land. Park owners are increasing rents yearly even as service and upkeep are scaled back. People cannot afford more increases and may lose their homes or fall into homelessness.

The provisions of this bill will benefit landlords. A 5 percent limit on rent increases while a unit is occupied is reasonable. Small landlords already operate under similar policies. Mortgage payments are the largest expenses for landlords, and they do not increase significantly year over year. While other variable expenses may go up, such as property taxes, they are not the largest portion of what rental income pays for. Property owners also see benefits in the form of tax deductions, and do not pay business and occupation taxes. They can afford a rental increase limit. In addition, long-term tenants are preferred. Stability is a key to success for landlords as well as tenants. Landlords will still be able to rent units at full market rate whenever there is a vacancy. Dealing with challenges as a landlord, such as maintenance or property tax payments, is very different from when renters have to move because of rent increases.

(Opposed) This bill does not do what is necessary to solve the housing crisis, which is to create a business environment where providing housing is simple, dependable, and predictable. It will apply pressure to an already stressed housing market. There will be many unforeseen consequences if this bill passes. Housing providers may make different decisions about whether to retain units as rental stock or sell them to become owned units. This will then decrease supply of rental stock. By decreasing housing stock, this bill will also worsen the homelessness crisis. It will become harder for people who lose their housing to find new housing and keep people within the community. Washington should address the housing and eviction crises by funding affordable housing, not by restricting housing that's already there. The current permitting environment is already slow compared to other jurisdictions. Developers are not incentivized to build new units. This bill will further disincentivize development.

Landlords will also invest less in maintaining their units, which will decrease the value of their properties. This will in turn decrease sales tax due to lowering construction business, and property tax as property values decline. This bill will cost the state millions in unrealized sales and property tax revenues and economic growth. Other jurisdictions, such as San Francisco and Vancouver, have implemented similar provisions and seen the number of new units under development decline considerably. Those jurisdictions included an inflationary increase, rather than a flat cap. The flat cap will be even more detrimental than tying the bill to the consumer price index.

Landlords provide homes at affordable prices. Many landlords want to stay in the industry long-term, but turning a profit is also important. This bill will lead to many affordable single family occupancy units being taken out of the rental market. The cap on rental increases will limit landlords in how much income they have, but expenses are not limited. Issues like pipes bursting or other major repairs do not stay within a 5 percent limit. Neither do property taxes or insurance costs. Property owners will hold back money for improvements and not do smaller maintenance tasks or upgrades to their units that benefit tenants and their families.

This bill will institute rent control, which goes against the rights of landlords in this state. It will violate the federal takings clause and the state will face litigation. Governments can't give property away for free or tell property owners how much to charge. The proposals to both increase property tax levies and caps and institute rent control are contradictory. The more the government intervenes, the less property owners will want to enter or stay in the rental market. It is unclear why public and nonprofit landlords are exempt from this bill. It is objectionable that people who rent to the poorest residents are not subject to the same cap.

Mobile home park owners have to maintain infrastructure such as roads, sewers, and other necessities, which other types of landlords do not need to do. Under the proposed legislation, park owners would be unable to maintain these facilities. Parks are aging and commercial loans needed to do this work have higher interest rates than the cap on rental increases. If this work is not done, when mobile home park residents sell their homes, they will not be able to realize as high a profit as they would if park owners could do upkeep. The Office of the Attorney General runs a dispute resolution process for mobile home park residents. Under the bill, the Consumer Protection Division would be able to sue landlords on behalf of tenants. People are unlikely to use the dispute resolution process if they believe the Attorney General is going to sue them.

**Persons Testifying (Housing):** (In support) Representative Emily Alvarado, prime sponsor; Clifford Cawthon, Habitat for Humanity Seattle-King and Kittitas County; Paul Dillon, Spokane City Council; Paula Sardinias, Washington Build Back Black Alliance; Kelley Rinehart; Fatima Abarca; Kerri Burnside, Bellingham Tenants Union; Kelley Rinehart; Sol Villareal; Michael Parker; Shannon Corrick, UFCW 3000; Monica Zazueta; Boyd West; Jessica Forsythe; Bryce Yadon, Futurewise; Edward King; Caroline Hardy; Kraig Peck; and Kathleen Knutsen.

(Opposed) Mike Hoover and Christy Mays, Detente Management; Patricia Hoendermis, Yakima Valley Landlords Association; Constance Nelson; Morgan Irwin, Association of Washington Business; Ryan Erickson; Brad Tower, Community Bankers of Washington; Morgan Shook, ECONorthwest; Ike Bannon, Capital Policy Analytics; McKenzie Darr, NAIOPWA; A-P Hurd, Skip Stone; Audrey Riddle, Goodman Real Estate; Ed Leigh, Equity Residential; Emily Thompson, GMD Development; Riley Bengel, Washington Realtors; and Daniel Klemme, Landlord Association of the Inland Northwest .

**Persons Testifying (Appropriations):** (In support) Stacey Valenzuela; J Kelley Rinehart; Kristin Ang, Faith Action Network; Nicole Gomez, Washington Federation of State Employees; Rebekah Gardea, QLaw Foundation of Washington; Sol Villareal; Kelley Rinehart; Monica Zazueta; Chris Walker; Thomas Strobehn; Bryce Yadon, Futurewise; Andrew Mark Carlos; Kraig Peck; Deborah Wilson; Tonya Hennen; and Tathagata Pal, Graduate and Professional Student Association at Washington State University.

(Opposed) Tim Eyman; Jeffrey Pack, Washington Citizens Against Unfair Taxes; William Shadbolt, Washington Business Properties Association; Bruce Becker; Carl Haglund,

Columbia Modern Living; Constance Nelson; Mike Hoover, Detente Management; Sam Spiegelman, Citizen Action Defense Fund; Patricia Hoendermis, Yakima Valley Landlords Association; Michael Frost; Ike Brannon, Jack Kemp Foundation; Riley Bengel, Washington REALTORS; Saint Newton; Andrea Reay; Laurie Layne; Russ Millard, Manufactured Housing Communities of Washington; David Nagel; Beth Daranciang; Susan Watkins; Brad Augustine, Madrona Real Estate Services, LLC; Doris McConnell; and Larry Seto.

**Persons Signed In To Testify But Not Testifying (Housing):** More than 20 persons signed in. Please see committee staff for information.

**Persons Signed In To Testify But Not Testifying (Appropriations):** None.