

SENATE BILL REPORT

SB 5961

As Reported by Senate Committee On:
Housing, January 26, 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: Senators Trudeau, Nobles, Frame, Hasegawa, Keiser, Kuderer, Lovelett, Nguyen, Randall, Robinson, Saldaña, Stanford, Van De Wege and Wilson, C..

Brief History:

Committee Activity: Housing: 1/12/24, 1/26/24 [DPF-WM, DNP, w/oRec].

Brief Summary of Bill

- Prohibits a landlord under the Residential Landlord-Tenant Act or the Manufactured/Mobile Home Landlord-Tenant Act from increasing a tenant's rent during the first 12 months after the tenancy begins and limits the amount by which a landlord may increase a tenant's rent during any 12-month period to 5 percent, 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.

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.

- Requires the Department of Commerce to create an online landlord resource center and requires the Attorney General's Office to publish model lease provisions regarding rent and rent increases.
- Provides remedies and enforcement, including attorney general enforcement of provisions under the Consumer Protection Act, for damages against a landlord who violates certain provisions of the bill.

SENATE COMMITTEE ON HOUSING

Majority Report: Do pass fail and be referred to Committee on Ways & Means.

Signed by Senators Kuderer, Chair; Frame, Vice Chair; Saldaña, Shewmake and Trudeau.

Minority Report: Do not pass.

Signed by Senators Fortunato, Ranking Member; Braun and Gildon.

Minority Report: That it be referred without recommendation.

Signed by Senator Cleveland.

Staff: Samantha Doyle (786-7335)

Background: Residential Landlord-Tenant Act. The Residential Landlord-Tenant Act (RLTA) governs the relationship and agreements between residential landlords and tenants. These regulations include provisions regarding the rights and duties of both landlords and tenants. RLTA further establishes the procedures for enforcement and remedies for violations. These procedures include how and when tenancy expires or may be ended.

Notice of a Rent Increase. Except for rental agreements governing subsidized tenancies, a landlord must give a minimum 60 days' notice to each affected tenant of a rental increase that may become effective upon the completion of the term of the rental agreement. For subsidized rental agreements governing income-based tenancies or circumstances specific to the household, a landlord must give 30 days' notice of an increase in rent to each affected tenant. An increase in the amount of rent of subsidized agreements may become effective upon completion of the term of the rental agreement or sooner upon mutual consent.

Tenant Lease Termination. A tenant subject to RLTA may generally 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. A tenant who is a member of the armed forces, upon receiving certain military orders, 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 relationship and agreements between the owner of a manufactured/mobile home community (landlord) and the owner of the manufactured/mobile home (tenant). These regulations include provisions regarding the rights and duties of both landlords and tenants and establishes the procedures for enforcement and remedies for violations. MHLTA includes a dispute resolution program run through the Attorney General's Office.

Notice of a Rent Increase. Three months written notice is required from a landlord seeking to raise the rent at the end of a rental agreement term. Rental agreements may not contain provisions allowing the landlord to alter the due date for rent payments or 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. An exception is provided for certain escalation clause provisions.

Any rent increase that occurs within the closure notice period for a change of land use of the mobile home park may not be more than one percentage point above the United States consumer price index for all urban consumers, housing component, published by the United States Bureau of Labor Statistics in the periodical *Monthly Labor Review and Handbook of Labor Statistics* established annually by the United States Department of Commerce.

Tenant Lease Termination. A tenant subject to MHLTA may generally 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. 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 Bill: Rent and Fee Increase Limit. Unless an exemption applies, a landlord is prohibited from increasing the rent and fees in total for a tenant subject to RLTA or

MHLTA:

- during the first 12 months after a tenancy begins; and
- during any 12-month period, in an amount greater than 5 percent above the existing rent.

Exemptions to the Rent Increase Limit. Public and nonprofit organizations under both the RLTA and MHLTA. 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 not subject to the rent increase limitation.

Newly Constructed Dwelling Units Under the Residential Landlord-Tenant Act. A residential landlord may be exempt from the rent increase limitation if the first certificate of occupancy for the dwelling unit was issued ten or less years before the date of the notice of the rent increase.

Eligible Organizations Under the Manufactured/Mobile Home Landlord-Tenant Act. A manufactured/mobile home landlord may be exempt from the rent increase limitation if during the first 12 months after the qualified sale of a manufactured/mobile home community (MHC) to an eligible organization under MHLTA whose mission aligns with the long-term preservation and affordability of the MHC if the rent and fee increases are needed to cover the cost of purchasing the MHC and are approved by vote or agreement with the majority of the homeowners in the MHC.

Rent and Fee Increase Notice Requirements. If a landlord subject to either the RLTA or MHLTA intends to increase the rent and fees combined in the amount of 3 percent or more, the landlord must provide each affected tenant at least 180 days written notice prior to the effective date of the increase. The notice must still comply with the 60-day notice requirement for rent increases in the RLTA or the 3-month notice requirement for rent increases in the MHLTA.

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.

Terminations. 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 RLTA or 30 days of written notice under 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.

Additional Tenant Protection Provisions. The following additional 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 making it more burdensome or expensive for tenants to agree to either month-to-month or agreements of longer durations;
- 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; and
- 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.

Landlord Resource Center. The Department of Commerce (Commerce) must establish an online landlord resource center to distribute information to landlords about available programs and resources such as the landlord mitigation program, low-income residential weatherization programs, local government resources, and other materials Commerce determines relevant.

By January 1, 2025, the Attorney General's Office (AGO) must publish the first version of the model lease provisions regarding rent and rent increases in the top ten 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 AGO must periodically publish new versions as necessary to incorporate any relevant changes to RLTA.

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.

Appropriation: None.

Fiscal Note: Requested on January 5, 2024

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

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

Staff Summary of Public Testimony: PRO: Washington is in a financial housing crisis with increasing homelessness. Why do we have people living in tents, on the streets and in cars? The market is not responding to provide any truly affordable options. Over 1 million Washington residents are rent burdened, and they spend over 30 percent of their income on housing. An increase in median rent of up to \$100 in metropolitan areas results in a 15 percent increase in homelessness and up to 39 percent increase in rural areas. Average rent in Washington is \$1,800, which is up 16 percent from 2020. Eviction rates have more than doubled over the past six months. We are confronting the very essence of human dignity, the right to a home, and the pursuit of life. The bill provides for protections for small landlords, and I want to recognize their participation. Thanks to landlords and tenants for participating in this bill's creation. It is unacceptable to not act with individuals and families living on the street while waiting for that supply. Housing is a foundation for health and development to continue to grow.

Last year I had to live out of my car because of a 62.2 percent increase in rent of my long-time home. Stability should be a fundamental right for all Washington residents. Following a domestic violence situation and a combination of rent increases, my daughter and I were priced out of our home and had to move out of the state to find affordable housing. After my husband was incarcerated, we had to move because our rent was so high. No one should have to choose between rent and basic needs. Please focus on humanization and reducing the infliction of unnecessary trauma caused by moving or evictions. As a mother of five and domestic violence survivor, a 26 percent increase in rent by our landlord was enough to displace us due to our reliance on our housing voucher allocation. I have faced multiple rent increases totaling \$180; however I could plan for and afford a 5 percent increase.

The housing crisis demands a comprehensive approach beside supply. Record profits shouldn't be at the cost of taxpayers. This bill is responsible capitalism. Most people do not understand the reasons for homelessness and often assume drugs are the reason. But the reason is rising housing costs. We will never build enough housing. The difference between the attempts to stabilize rent in San Francisco and Minnesota, is that in those states, development regulations were introduced concurrently. As a physician, I know that those who are rent burdened have increased chance of disease and death. Rent stab improves housing and health.

Funds stay the same, but rents and move in costs have increased. It generally costs \$4000 just to cover move in costs for one household. Rates are so high no rental assistance program is enough to cover the need. This bill allows for reasonable increases. One tenant may face an \$800 a month increase this year. Last year my landlord gave me 12 months' notice that my rent would double from \$1,000 to \$2000 a month. My husband and I both work and are worried that our daughter is able to stay in her same school. Please think about how this will improve life of many people. As a single mother who works in the fields and is facing challenging weather, I cannot not afford a large increase. As a retiree I already had to move due to five rent increases and my current rent is still 45 percent of my income. I cannot rely on the word of my landlord that they will not increase it above my fixed income.

As a tribal member, disabled veteran and single mother of 4, I was unfairly targeted with a rent increase with 51 days' notice, while my white neighbors saw no rent increase. We deserve to live in a state where young and people of color are equally afforded housing stability.

Everyone deserves stable and predictable housing costs. Mortgages don't increase with 30 days' notice, why should rents? We know homelessness increases when rents increase. I hope that this community will remain affordable for my daughter. As a landlord, planning for 5 percent increases is more than fair. Being a landlord is our only retirement income besides social security (SS) and we already do not increase more than the cost-of-living increase percentage set by SS. This is good for long term tenants, which is good for our business. As a small landlord already subject to many of these provisions, they can plan ahead. We appreciate the landlord resource center and believe this bill promotes relationships within communities. The biggest expense as a small landlord is our mortgage, which is fixed.

I am a previously homeless human who wants to thrive. I am seeking stability for myself and my children. I am a single mom and veteran that has experienced homelessness twice. I helped a man facing a \$700 a month increase. He now must sleep in a living room. There is no defense to being unable to afford a rent increase. Corporate landlords are displacing tenants. Homelessness is a growing threat and it is impossible to be a present parent when facing these circumstances. Nearly 75 percent of our members are in a state of housing crisis and majority of our support funds going to housing needs. This is rent stability, not rent control. Please hold the line at 5 percent.

You will not be a homeowner if you can't afford rent. We need to address rising costs to protect consumers. This bill will save lives. We must keep people housed to prevent homelessness. Washington tried 40 years of trying to build more and the current situation now shows this is a market failure that requires government intervention. My son died after experiencing homelessness.

My mobile home lease increased 37 percent last year. They started charging for utilities and amenities that used to be covered in rent. Our entire retirement investment of \$200,000 is in our mobile home. Both my husband and I are on social security, and my husband is disabled, our lot rent has increased by \$100 every year and this year \$200. We want to stay in the house we've already paid for. In 2021, I had 30 days' notice of a \$300 a month increase. Availability is not the problem, there are eight vacancies in my park. As a mobile homeowner, five years ago I was able to pay \$525 less with utilities included. Now I face another 128 percent increase without utilities included. Corporate profits are huge, and tenants are barely hanging on.

As a fixed income disabled senior, I must use assistance just to afford a \$66 a month increase. I am one of eight grandparents in our community that received noticed of a \$1000 rent increase that resulted in vacant units. In 2008, we moved into what we hoped would be

our forever home in a mobile home park. Now we may need to live in car because our fixed income cannot keep up with rent increases totally \$600 a month with an \$800 increase coming and amenities being cut. Landowners have tax exemptions while mobile homeowners do not and cannot walk away from their homes.

CON: As an economist, we have found that the short-term benefits of rent control are less than long term harms to renters. This will not address housing shortages and it applies to all renters not just low income. Our research estimates that Washington would see a 5 percent reduction in construction, 3 percent investment reduction, and reduce total property revenue by \$20 million. This bill is not narrow enough to help just those who are in need. Rent control makes everything more expensive for more people because of demolition and reconstruction of housing supply, like what happened in San Francisco and St. Paul. I worked on a trust that left Vancouver, BC due to rent control there and chose to develop in Washington instead. At the time, there was talk about developing nothing at all versus in Vancouver with rent control laws.

As a small rental business, we not only supply housing, but provide jobs in process. We have many long-term tenants, up to ten years. The state should be providing incentives not controls, as this will negatively impact my business. As a national multi-family unit housing provider, I manage over 4,500 units in Seattle alone. The additional rental protections, like the \$10 late fee cap and notice requirements would be stricter than in any other district. This will ultimately increase the housing costs for providers. We have been selling off units and investing elsewhere already due the Seattle's most recent regulations. As a housing provider for primarily 60 percent AMI households, this bill could threaten our ability to continue to expand our supply. Please consider expanding the exemption in section 102 to all affordable housing providers regardless of their tax status. Please also address eviction language that would help affordable housing providers deal with evictions that have safety concerns due to violence.

As a realtor, I am concerned that since we already do not have enough housing supply this would continue to decrease available rentals. This bill would not allow landlords to recover costs still being addressed from the pandemic's moratorium on evictions. The cost of managing our rentals has tripled, including evictions and rehabilitation. We would need a three percent cap on our housing management costs to go with this rental cap. This feels like punishing landlords for the breaks given to tenants the last three years over the pandemic. Data and science shows rent control never works. We need a predictable housing market. Economists agree that rent controls have negative impacts.

The use it or lose it cap, is my biggest concern. I seldom raise the rent for long-term tenants, and I work with them to plan for the instances when I do have to raise it. This would incentivize me to raise it every year to ensure that I recover costs in the future. As a banker, I believe we are talking about the wrong crisis. Covid created permanent change in the value of money. Now there are ten-year term loans with large balloon payments that would not be recouped with a 5 percent increase. I also want my children to have affordable

housing, but price control leads to increased cost, homelessness, and urban decay everywhere it is used. I just canceled my new investment in this state because of perceived risk on cost of evictions and because of domestic violence induced damage to the property and myself.

Mobile home communities are different from other properties. We are concerned about the provision relating to the Attorney General's Office enforcement as being proper mechanism because of mediation program they are already running and would this be a conflict of interest. Price controls will create more instability and reduces investment due to increase risks. Portland saw a 33 percent decrease in investment after rental provisions. The manufactured/mobile home dispute resolution program already works. System upgrades would not be covered under this rent increase, where would landlords get those costs recovered?

I have worked on my own properties and used to work in social services. This puts the issues on individual landlords. I am a small landlord, and my tenants are below the 80 percent AMI and I already need help to be able to continue. Seattle reports loss of landlords and rent control is a failed policy. All costs to provide housing are all at all-time highs, greater than 6 percent annually. This is a supply crisis. Rent control doesn't recognize housing cost and increases or the increase of people that don't desire home ownership. I am no longer a developer because the of the state's burdensome regulations on development. Rent control destroys cities. My daughter and I own four duplexes and we are thinking of selling property because of these types of regulations. Laws like this hurt renters not, help them.

OTHER: As a housing provider and investor I support addressing homelessness but fear this would decrease housing stock. Arbitrary controls harm housing stock and capital. Investors may flee, sell, or not join.

Persons Testifying: PRO: Senator Yasmin Trudeau, Prime Sponsor; Sharon Pevey, AMHO director; Christa Lenssen, City of Olympia; Leslie Walt, Kloshe Illahee Homeowners Association; Jazmine Smith, The Washington Bus; Mary Fenske; Edward King; Rosa Rodriguez; Donna Williams; Tonya Hennen; Sol Villareal; Michael Parker; Robin Zorich; Kerri Burnside; Kehaulani Walker; Mayor Thomas Strobehn; Jessica Silver; Shannon Corrick, UFCW 3000; Bryce Yadon, Futurewise; Kathleen Knutsen; Monica Zazueta; Kelley Rinehart; Gabe Magic; Kraig Peck; Deborah Wilson; Tina Hammond; Boyd West; Mindy Woods; Nicole Casanova, WA Physicians for Social Responsibility; Vicki Loveland; Anne Sadler; Caroline Hardy; Duana Johnson; Devin Glaser; Kasey Burton; Cliff Cawfton, Seattle, King, Kittitas Habitat For Humanity; Patricia Divine Wilder; Senaida Villegas, Community to Community; Michael Whalen, UFCW367; Ann Dorn, Tacoma 4 All; Deanne Fritschy; Zev Cook; Paul Benz, Quaker Voice; Stacey Valenzuela.

CON: Mike Hoover, Detente Management; Beau Harer, Detente Management; RUSS MILLARD, MHCW; Ryan Erickson; Brad Tower, Community Bankers of Washington;

Bruce Becker; Rick Glenn, Yakima Valley Landlords Association; Morgan Irwin, Association of Washington Business; Constance Nelson; David Nagel; Cobi Clark; GORDON HAGGERTY; Elaine Armstrong, Clark County Rental Association; Ed Leigh, Equity Residential; Morgan Shook, ECONorthwest; Ike Bannon, Capital Policy Analytics; Emily Thompson, GMD Development; McKenzie Darr, NAIOP-WA; A-P Hurd, Skip Stone; Janee Cox, Cox Property Management; Cory Brewer; Riley Benge, Washington REALTORS; Paul Clements, Paul Clements Engineering, PLLC; Jeff Foster, Windermere Property Management - Grant County; Carl Haglund, 5500 rainier Ave s; Alex Arwine; Kym Knudson; MariLyn Yim.

OTHER: Ian Randall.

Persons Signed In To Testify But Not Testifying: PRO: Patti Dailey-Shives, Resident, manufactured home community; Alexandria Nickerson; JOHN alder, jUJustice washington; John alder, Pjals; Kelley Rinehart; Sharon Pevey; Chris Harbert; Talauna Reed, Tenants Union of Washington State.

CON: Mike Morris; MARIE-NOELLE METSEYE; SHALABH JAIN; Errin Reynolds, Washington Landlord Association; john stephanus; Jordin Rabisa; Mike Gillespie; Susan Westcott; Jacob Haugstad; James Johnson, none; Shirley Kinzer; David Sharon, rentals; Irina Stupina; Thomas Rickey; Tammie Tom-Freeman; Audrey Riddle, Goodman Real Estate; Jason Smith; Joel Retzlaff, Self; Sam Spiegelman, Citizen Action Defense Fund; Saint Newton; Carl Haglund; waithera mbure; Carl Haglund; Phyllis Tharp; Joshua Hosford ; Philip Swan; Elisa Lyles; Cecilia Manyari; Debby Herbert; Andrea Ray, 950 Pacific Ave; Janelle Costanti, Independent small housing provider.