HOUSE BILL REPORT
HB 1217

As Reported by House Committee On:
Housing

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: Representatives Alvarado, Macri, Ramel, Peterson, Berry, Mena, Thai, Reed, Obras, Farivar, Parshley, Ortiz-Self, Cortes, Duerr, Street, Berg, Taylor, Fitzgibbon, Doglio, Timmons, Tharinger, Fosse, Gregerson, Simmons, Wylie, Pollet, Kloba, Nance, Davis, Ormsby, Lekanoff, Bergquist, Scott, Stonier and Hill.

Brief History:

Committee Activity:

Housing: 1/13/25, 1/20/25 [DPS].

Brief Summary of 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 tenancy for tenants subject to the Residential Landlord-Tenant Act and the Manufactured/Mobile Home Landlord-Tenant Act, regardless of the length or type of lease, with certain exemptions.
- Provides certain other protections for tenants, such as rent and fee

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increase notice requirements, tenant lease termination provisions, and limits on move-in fees, security deposits, and late fees.

- Provides remedies and enforcement mechanisms for violations of the bill, including Attorney General (AG) enforcement under the Consumer Protection Act and a private cause of action for damages.
- 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 AG to publish model lease provisions regarding rent and fee increases.

HOUSE COMMITTEE ON HOUSING

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 9 members: Representatives Peterson, Chair; Hill, Vice Chair; Alvarado, Cortes, Entenman, Gregerson, Lekanoff, Reed and Timmons.

Minority Report: Do not pass. Signed by 7 members: Representatives Low, Ranking Minority Member; Jacobsen, Assistant Ranking Minority Member; Manjarrez, Assistant Ranking Minority Member; Barkis, Connors, Dufault and Engell.

Minority Report: Without recommendation. Signed by 1 member: Representative Richards, Vice Chair.

Staff: Audrey Vasek (786-7383).

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 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 sooner than

completion of the term of the rental agreement 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 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 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 or type of 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. This limit applies to all tenancies subject to the RLTA, including any tenancies in dwelling units operated as short-term or vacation rentals.

Exemptions to the Rent and Fee Increase Limit.
The rent and fee increase limit does not apply in the following circumstances:

- for tenancies in dwelling units where the first certificate of occupancy was issued 10 or less years before the date of the notice of the rent increase;
- for tenancies in dwelling units or manufactured/mobile home lots operated by public housing authorities; public development authorities; nonprofit organizations where maximum rents are regulated by other laws or local, state, or federal affordable housing program requirements; or certain other nonprofit entities;
- for tenancies in certain qualified low-income housing developments;
- for tenancies in certain owner-occupied rentals; and
- 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, if needed to cover the cost of purchasing the MHC and approved by the majority of homeowners in the MHC.

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 unlawful detainer 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 certain exemptions apply, 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.

If a landlord increases the rent and fees above the 7 percent limit and is not authorized by an exemption, a tenant may terminate the rental agreement at any time before the effective date of the increase. When terminating a rental agreement under these circumstances, the tenant must provide the landlord with a 20-day written notice under the RLTA or a 30-day written notice under the MHLTA. 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 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 1.5 percent of a tenant's total rent 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 rental agreement where the term is greater or lesser than month-to-month, 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.
- 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.

Remedies and Enforcement.
A landlord who violates the rent and fee increase limit, rent and fee increase notice requirements, tenant lease termination provisions, or certain other provisions 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 certain other provisions 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 must 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.

Model Lease Provisions.

The AG must 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, 2026, 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 bill's impacts. The assessment must be provided to the Legislature by December 1, 2027, and must consider the following:

- impacts 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.

Definition of Rent.
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.

Substitute Bill Compared to Original Bill:

The substitute bill requires the Attorney General's Office to publish the first version of the model lease provisions regarding rent and fee increases by January 1, 2026, instead of January 1, 2025.

Appropriation: None.

Fiscal Note: Preliminary fiscal note available.

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

Staff Summary of Public Testimony:

(In support) All across Washington, people are getting crushed by rising rents.

Hardworking families are seeing rents go up faster than wages. Seniors are seeing rents go up faster than social security. People are making impossible choices while paying more to their landlords. A record number of Washingtonians are spending more than half of their incomes on rent.

Washingtonians are asking for pragmatic solutions to stop unnecessary and excessive rent increases. That's what this bill does. This is a balanced policy that prevents excessive rent increases, but it lets landlords raise the rent each year, invest in the property, and make a profit. It is unfair to tell seniors and working families to wait for relief until the market builds enough housing, and landlords voluntarily keep the rent lower.

Washington can both build more homes and protect people now from rent increases. No single policy can fix our housing crisis, but this bill is the single most cost-effective way to immediately stop the devastating impacts of excessive rent increases on renters and manufactured homeowners in Washington. This bill creates basic fairness for renters and manufactured homeowners, and includes significant changes made over the past few years to respond to the concerns of stakeholders.

If housing is viewed as a stool with three legs, this bill will address one of the three legs of the stool: the housing cost burden people are facing. The other two legs of the stool are development capacity and subsidies for affordable housing. It will take time for recent supply-side housing laws that have passed to have a noticeable impact on housing development, and renters need stability and predictability as those laws are implemented.

The ability to remain in stable housing in one place can make a difference for people. Homeowners tend to take for granted the fact that the cost of their mortgage isn't going to go up by 20 percent, 30 percent, or more from one year to the next. But more than a million households in Washington are renters with no protections for their housing costs. As buying a home has gotten dramatically more expensive in recent years, the stability of a 30-year fixed rate mortgage is getting further out of reach for more and more Washingtonians. Homeowners benefit from the creation of a local safety net of neighbors. Kids stay in their schools with friends and teachers who know them, and mortgage payments are largely predictable. Renters have a hard time accomplishing this stability.

Renters include people from all walks of life, such as social workers, elected officials, disabled veterans with post traumatic stress disorder, domestic violence survivors, people of color, and people with high salaries. Some long-term renters are facing rent increases that take up half their incomes with only 60 days' notice, such as $400 or more in a 12-month period. Some property managers will charge current renters more than the rental amount listed for comparable vacant units. Some renters have been forced to move repeatedly, such as five times in four years. Moving costs can be astronomical; deposits due at move-in can be three times the monthly rent.

Rent increases can force renters to move away from their community support systems,

medical providers, and jobs. Being forced to move also takes away stability for their children. Even renters who have worked hard and pulled themselves up by the bootstraps are only a stone's throw away from being unhoused. Even if someone can afford to pay a rent increase, it can make it hard to save for things like a home, kids, school, a vacation, or a car. Renters are having to make difficult decisions between paying certain bills.

While being a landlord is not easy, dealing with the challenges of being a landlord can pale in comparison with the life-altering curveballs that renters can face when the rent and fees for their homes spike and drive them into a sudden move. For many small landlords, keeping rent increases low is smart business because it creates stable, long-term tenants. Some landlords find that rent increases for existing tenants of under 5 percent is enough to meet their income needs and provide a healthy profit. The appreciation gains from owning the home over time is where the investment grows. Keeping fees reasonable and capped at the time of leasing also makes the transition between tenancies smoother.

Seventy percent of small residential rentals, both here and nationally, are owned by small landlords. Small landlords have different needs than large landlords. For large landlords, a vacancy might cost a few percentage points of lost revenue. For small landlords, a vacancy can cost 25 percent of rental revenue. Small landlords know that revenue relies on tenant stability, and having long term stable tenants is the only way this works. In practice, this bill will work for everyone, and in a best case scenario, giving renters stability and protections under this bill may create opportunity towards homeownership for them one day, too.

Manufactured homeowners own their homes but pay rent for the land underneath their homes and taxes on the homes they own. Most manufactured homeowners in senior communities are on fixed incomes and will not be able to afford to continue to live in their homes if the rents continue being increased arbitrarily each year. This impacts people who are grandparents and parents, people in their golden years. The stress of managing a tight budget without knowing how much the rent will increase in the future is enormous. The stress of not knowing if they'll be able to live in their homes in a couple of years, or if they'll be out on the streets joining the fast-growing homeless population, can kill.

(Opposed) When it comes to housing everyone agrees there's a problem, and the problem in Washington is supply. Many Washington businesses, builders, realtors, property managers, and landlords are extremely concerned that this bill will have the opposite effect of what is needed. To build housing supply, people need to be encouraged to invest in Washington, but this bill will have the opposite effect. This bill is a huge stumbling block that will slow down the progress made by many of the other housing bills on the supply side, such as increasing permitting speed, making it easier to build infill housing, and decreasing building costs. Consumer protection policies like rent stabilization do not increase housing supply and would result in Washington becoming less competitive than neighboring states for housing investment.

As written, the bill contains several components that create a more restrictive form of rent stabilization relative to other West Coast states. The bill contains a flat cap, while Oregon and California have caps with a mechanism to account for inflation. The bill contains a 10-year exemption for new construction, while Oregon and California exempt new construction for 15 years. The bill also exempts a limited number of owner-occupied rentals, while California exempts much broader categories of residential properties like single-family rentals, so long as they're not corporate owned. With this bill, Washington risks driving highly mobile investment capital and excitement for building homes out of Washington and into Oregon, California, and other neighboring states.

Many people have concerns that the costs that go into renting out a house and being a landlord will require increases above the 7 percent cap when everything is considered, such as increases to property taxes, homeowner association (HOA) fees, water and sewer fees, and insurance. Insurance costs have increased dramatically in recent years. Some property owners have seen anywhere between 30 and 60 percent increases in their insurance over the past several years and have had to make the decision to self-insure those buildings. The deductibles for these policies can be upwards of $120,000.

Housing costs have also risen dramatically from government regulations in recent years. For example, costs for operating buildings have gone up by thousands of dollars since COVID. These are two to three times the increases in cost, and the largest contributors to these costs are from the government via property taxes, utility rates, and sometimes unintentional consequences from regulations.

The maintenance and operation costs for many properties can also be very expensive and increase over time. These costs are separate from any increases to property taxes, HOA fees, water and sewer fees, and insurance. For manufactured home communities, the costs for capital investments to upgrade and maintain the necessary infrastructure, such as electrical systems, can be on the order of between $15,000 to $40,000 per lot. Landlords don't want to pass these costs onto their tenants, but landlords need to make revenue in order to make the mortgage payment and keep their properties in good working order.

Persons Testifying: (In support) Representative Emily Alvarado, prime sponsor; Stephanie Tidholm; Kelley Rinehart, My own rental business; Bryce Yadon, Futurewise; Zeenia Junkeer; Chris Walker; Tonya Hennen; Duana Ricks-Johnson; Sol Villarreal; and Tina Hammond.

(Opposed) Kristi Tripple, Rowley Properties, Inc.; Kathy Dobler; Morgan Irwin, Association of Washington Business (AWB); Andrea Smiley, Building Industry Association of Washington (BIAW); Riley Benge, Washington REALTORS; and Brad Tower, Commonwealth Real Estate Services.

Persons Signed In To Testify But Not Testifying: More than 20 persons signed in. Please contact the House Public Records Office at https://leg.wa.gov/public-records-requests/ or

call (360) 786-0926.