



## DAY ON THE HILL 2024 – ISSUES AND TALKING POINTS

**YOUR EXPERIENCE IS THE MOST IMPACTFUL, TELL YOUR STORY!** These talking points will help guide the conversation and allow you to keep your meetings focused and on track during your limited time, but your discussion should highlight these points, not rely on them. They can also help support you with questions you may be asked. You should highlight the following areas and three specific bills in your meetings with lawmakers:

*\*Note: We can provide the specific studies and data referenced in this document if they request it. Please take note of any requests and let us know so we can send to them after your meeting.*

### OUR INDUSTRY

- According to the Department of Commerce, Washington state needs 1.2 million new units over the next 20 years
- **As housing providers, we are a critical part of the solution to our state’s housing crisis**
  - Too often, our industry is treated as part of the problem and not the solution
  - We provide valuable housing for all Washingtonian’s
  - Our state’s housing deficit cannot be addressed without the multi-family housing industry
  - It’s impossible for government to address this problem alone – they need the private sector to build needed units
  - **Large multi-family projects like those built, operated, and managed by WMFHA members, are the quickest and only way to put a large number of units on the ground to address the crisis**

### RENT STABILIZATION – HB 2114/SB 5961

- Rent stabilization has not worked anywhere it has been adopted
  - San Francisco and NYC are two of the most expensive rental markets in the country
  - When St. Paul, Minnesota passed rent stabilization in 2021, multifamily permits went from **1,400 the previous year to just 200**
  - In 2022 St. Paul saw a **50% decrease in multi-family building permits**, while Minneapolis, its sister city, **saw a 15% increase**
  - This policy change caused a large residential project to pull out of its development in **St. Paul (3,400 Total Units)**
    - **380 affordable units at 50% AMI** (\$49,700/yr. - 2-person household)
    - **380 extremely low income at 30% AMI** (\$29,800/yr. - 2-person household)
    - Hundreds of retail jobs in the development lost due to the discontinuation of this project
  - According to a National Bureau of Economic Research study “Robbing Peter to Pay Paul, The Redistribution of Wealth Caused by Rent Control”
    - Tenants who gained the most from rent control were higher income and white
    - Those who lost most from rent control were lower-income owners and were more likely to be minorities



- A study by EconW shows that in Washington under a rent cap:
  - Could reduce investment in housing to the tune of \$4 billion over the next 10 years
  - Property tax revenues would be reduced by \$185 million over the next 10 years
  - Sales tax revenue (retail construction tax) would be reduced by \$390 million
  - Overall housing supply would be reduced
  - Higher rents in uncontrolled market
  - Benefits are not targeted to those that need it
    - Not means tested
    - Disproportionately benefits higher income residents

## **RENT STABILIZATION – SB 5961 ONLY**

- 15% rent cap isn't binding and can be lowered by future legislatures
  - Oregon housing providers came to similar agreement, in good faith, with the legislature in 2019 and the legislature has already lowered the rate this year without respect to this prior agreement
- The removal of the local rent control pre-emption is very problematic
  - Cities will be able to adopt rent increase caps that could feasibly be below CPI or lower making providing housing infeasible
  - A patchwork of different caps across the state will be unmanageable for housing providers
  - Substantially drive up operating costs
  - Cause providers to leave the market or forego new housing creation

## **RENT STABILIZATION – HB 2114 ONLY**

- A study by Capital Analytics Partners shows that in Washington under the proposed 5% rent cap:
  - Rent stabilization disincentivizes new construction and encourages attrition through small landlords selling and leaving the market
    - Construction will decrease by 5.12% for a loss of over 22,700 new units over the next 20 years
    - Property tax income will decrease by \$16.2 million a year
    - Maintenance spending will decrease by 3.18% or \$25.3 million a year
- \$10 late fee is unreasonable
  - Late payments are already a problem, and this will make it worse by disincentivizing on time rent payments
  - This cost will be borne by residents who pay on time through higher rents
- Maximum 1 month's rent for deposit and fee is unreasonable
  - Damage and other deposits are levied to offset costs incurred by housing providers by residents
  - These costs will be borne by others via future rent increases, or result in less maintenance and upkeep investment in the property (WHY)
  - Housing providers are less likely to rent to higher risk residents. Stricter income qualifications will also be used.
- 20-Day lease termination
  - A long-term lease allows housing providers to plan for a reasonable turnover rate as well as operations and expense involved with turning over a unit
    - It allows providers to plan for vacancies
    - Levels seasonal vacancy rates, otherwise
    - Minimizes empty units that ultimately have to be counteracted through higher rents



- Ban on long-term lease incentives
  - Long term residents create consistency and the ability for building management to better predict vacancies
    - Levels seasonal vacancy rates, otherwise, we would see even higher vacancies in winter while summer vacancies continue to be almost non-existent.

## RENTAL INDUSTRY B&O TAX – SB 6136

- Simple economics prove that if you want to disincentive something, you tax it
  - Sin taxes such as tobacco, alcohol and soft drinks are all predicated on this simple fact
    - The economics can't work for one thing and not the other, it's universal
  - This will disincentivize housing production and providers to stay in the market.
- Under this bill, utilities would be taxed, although they are pass through costs.
  - This is taxing housing providers for revenue that they don't realize
  - Legal issues with taxing the private sector on a public utility's revenue
- Late fees are solely the responsibility of residents. They choose to pay on time or not, housing providers should not be paying taxes on choices made by their residents.
- **You can't make rental housing more affordable by adding costs**

## UNLAWFUL DETAINER REFORM – SB 6210

- The unlawful detainer process is broken
  - State law requires that a show cause hearing be scheduled within 30 days
  - Jurisdictions are taking longer, 8 months+ in King County
- Residents are staying in units for months without paying rent
  - Housing providers can't accept rent during this time
  - Residents still ultimately responsible for this debt
- Legal council is provided to all without income verification
  - Exponentially more cases because resident has no incentive not to file (no cost for fighting eviction)
  - There is no financial liability for the resident to fight the eviction even if the resident is clearly in violation
- Behavioral evictions are taking just as long
  - Unsafe communities for residents and staff
- This needs to be fixed for housing providers, the affected residents, and their neighbors
  - Housing providers deserve to be paid for the service they are providing
  - Other residents deserve to have a safe community
  - Management staff deserve a safe environment to work in
  - Resident who owes rent deserves a timely and fair resolution to the situation



## IN CLOSING

Remember to always end the meeting with an ask; what do you want them to do? Support a bill, oppose a bill, reach out to you or WMFHA for more information, include us in future conversations?

- **Increased supply is the most impactful solution to Washington’s housing crisis**
- **WMFHA and the multifamily housing industry want to be part of the solution**
- We have, and continue to support, policies that encourage housing creation, *even those that do not benefit our industry or that will provide competition to our industry*
- Ask that we, as housing providers, be included in discussions regarding policies impacting our industry, prior to session, so we may offer experience and knowledge
  - We want to avoid having to oppose legislation due to a lack of inclusion and engagement

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## RESOURCES

- [St. Paul Case Study](#)
- [Robbing Peter to Pay Paul, the Redistribution of Wealth Caused by Rent Control](#)
- [Washington Rent Control - EcoNW](#)
- [Portland Metro Detached Housing Effects of Rent Control](#)
- [NAA Report “Modeling the Effects of Rent Control – Seattle”](#)
- [Examining the Unintended Consequences of Rent Control on Cities Across the United States](#)