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Tenant Protection Talking Points

While intended to be simple, reasonable, and effective, the proposed changes will do more harm than good toward Following is an overview of the issues to provide further clarity, balance and understanding:

Notice Requirements

The notice requirements under consideration are burdensome and do not take into account the realities of rental property operations. Housing providers do not know what operating costs, market conditions or other circumstances will exist four to six months in advance and to expect housing providers to effectively notice an accurate rent increase to a tenant in that time frame isn't feasible. For example, property taxes are posted once a year with approximately four months' notice. Further, insurance premiums change one to two times annually with only 30-60 days' notice. In addition, inflation is currently double the proposed minimum requirement of 3% for 120 days' notice. As such, housing providers will mitigate risk by estimating larger annual rent increases to protect actual rent at the time of the rent increase. This is occurring in Seattle now with their untested 6 months' notice for any rent increase.

Move-In Deposit Restrictions

Damage and other deposits are levied to offset costs incurred by housing providers should a tenant damage the property or quit paying their contractual obligation. If these deposits are too low, one of two things occur; 1) either the housing provider pays for it, or 2) the cost is borne by others via future rent increases. Ultimately, these restrictions only serve to protect those that are responsible for these added costs. When providers incur these costs, it can have several impacts:

- Limits their ability to pay for other needed repairs or services
- Forces them to increase rents unilaterally or over time
- With enough market pressure or frequency, causes them to leave the market all together or at a minimum, stop pursuing new housing development projects solving the housing crisis in our region.

Damage and other deposits are designed to mitigate risk for housing providers, but don't exist solely for the benefit of the provider. The fees are used to offset costs incurred due to failure to pay, damage and other expenses, that although limited to a few bad actors, do occur. By requiring reasonable deposits to offset these costs, housing providers are also protecting their other tenants. Ultimately, if individuals who are responsible for these costs are not charged through these deposits, the costs will be absorbed by all tenants in the rental complex and in the case of single-family properties by other renters in the owner's portfolio.

Without the ability to charge reasonable fees to offset risk, the riskiest tenants will be pushed to the edges of the rental market rather than being allowed to participate, with reasonable financial accommodations.

Installments

Although installments seem to be a reasonable accommodation, they are counter to the intent and design of deposits. Deposits and fees are assessed based on the risk level of a tenant and offering installments only extends the risk over a longer period which also increases exposure for the housing provider. If the tenant is a financial risk and they default prior to the end of installments, the cost burden on the owner is higher. This is true of damage as well, which leaves the housing provider and other tenants responsible for these costs. Both proposals, although seemingly “fair” in theory, only shift the cost burden from those responsible to housing providers and ultimately fellow tenants. In the end, the rental housing market as a whole is impacted through higher rents and less units being developed.

Late Fee Cap

Capping late fees to \$10 is simply unreasonable and provides no incentive for tenants to pay on time. Although we understand the concern that some tenants may find themselves in a cycle of late rent payments exacerbated by additional fees, lowering the maximum fee amount to an amount which provides no consequence, only allows late and missed payments to become the norm as tenants prioritize other expenses. Our members work with tenants to help them remain in their units and to ensure they are able to continue paying their contractual lease obligations through reasonable accommodation. This cap removes all incentives for them to continue this practice. Property owners and housing providers don't get to pay their mortgage, maintenance, or other contracts without penalties, which are much higher than \$10. Under this proposal the city may be asking them to pay these higher costs if tenants default, thereby affecting their cash flow. In addition, if tenants are unable to make monthly payments on time, it points to a larger problem that needs to be addressed and possibly mitigated through more reasonable and relevant late fees.

Social Security Number

This impacts housing providers ability to properly screen residents on whether they qualify to live in our communities. If they move out with a large balance owed it is almost impossible, even when utilizing a collection agency, to collect on the debt unless the resident willingly pays. Without a SSN housing providers cannot report the credit negatively to credit agencies, basically allowing residents to go unpenalized at all for leaving a major balance unpaid.

If a tenant is unable to provide a social security number for the screening process, housing providers will try to work with them, but it will require a larger security deposit to offset the risk assumed by accepting a tenant that has not been fully screened. However, this ordinance limits all move-in fees to the value of one month's rent which would prohibit housing providers from offering the accommodations

In addition, using social security numbers as part of the screening process allows future potential providers to access the risk of a tenant, without the ability to do this screening, a tenant who has previously caused damage or left financial obligations unpaid can continue this behavior at future residences. Ultimately the financial liability of this behavior will be assumed by good tenants through higher rents across the property and eventually the rental housing market in Seatac.

Ability to Adjust Rent Due Date

A rental agreement is contract between a tenant and the housing provider and clearly states due date for rent. Tenants are aware of this and have agreed to the due date as part of their contract. This is an unneeded interference with a legal contract. If tenants receive their income on the fifteenth of month and their due date is the first of the month, they should be able to budget, saving from the previous month, like any reasonable adult is expected to do. It should not be the housing provider's responsibility to babysit a tenant and make accommodations for something that is an expected responsibility of anyone participating in this type of transaction.

Summary

These regulations place a significant and unwarranted burden on housing providers – especially small landlords, which leads to unintended consequences including higher than expected rent increases and the stagnation or reversal of rental unit development at a time when supply is the biggest issue facing our region.