

FISCAL NOTE FOR NON-CAPITAL PROJECTS

Department:	Contact Person/Phone:	CBO Analyst/Phone:
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Legislation Title:

AN ORDINANCE relating to rental registration and inspection; amending the title of Chapter 22.214 and Sections 22.214.010, 22.214.020, 22.214.030, 22.214.040, 22.214.045, 22.214.050, 22.214.060, 22.214.080, 22.214.085; amending previously non-codified section 16 of Ordinance 14011; and adding new sections 22.214.086 and 22.214.087.

Summary of the Legislation: This legislation addresses some unintended consequences and administrative details of the existing code, and simplifies operational processes for landlords and the City. Changes include:

- Changing the name of the program to Rental Registration and Inspection Ordinance (RRIO);
- Providing a procedure for the registration of one to four unit buildings over a two-year period. These units will be registered according to a schedule that is balanced geographically and by rough numbers of properties in each area;
- Clarifying that owners of multiple condominium units in a single building will be able to register as a single property with multiple rental units;
- Deleting the fee for transferring registration when a unit is sold as the fee would acts as a disincentive to updating information;
- Changing from an annual to a periodic selection of properties for inspection;
- Changing the registration schedule so that newly constructed rental properties register prior to occupancy, eliminating the one year delay in registration; and
- Establishing a new restricted accounting unit designated as the “Rental Registration and Inspection Ordinance Enforcement Account:”
 - The account allows the Director to pay or reimburse the costs and expenses incurred for notices of violation and civil action, and
 - The “RRIO Enforcement Account” shall be the repository for certain penalties collected under Ch. 22.214.

Background:

Since the October 2012 adoption of the RRIO, the Department has been working on business processes to implement the RRIO and has discovered changes needed to be made for operational clarity and to fix unintended consequences. Between March and August, 2013 the Department held eight meetings with stakeholders representing tenants, landlords, and inspectors. The recommendations from that group were used to help develop the amendments to this ordinance. The stakeholders have approved the proposed amendments. The intent of the legislation is to

clarify certain administrative processes and to simplify the penalty process.

Please check one of the following:

☐ **This legislation does not have any financial implications.**

☒ **This legislation has financial implications.**

Appropriations: None.

Anticipated Revenue/Reimbursement Resulting from this Legislation: None.
(See note under subsection a of Other Implications section)

Other Implications:

a) Does the legislation have indirect financial implications, or long-term implications?

This legislation simplifies and consolidates the enforcement provisions in the RRIO. It ensures that failure to register a rental housing property is subject to the full enforcement provisions of the code, including penalties, but also allows and clarifies a process to mitigate enforcement penalties. The stakeholder group expressed a strong interest in having the costs of enforcement borne by the parties subject to enforcement, rather than by the program as a whole. In order to do that, a special account for RRIO enforcement penalties is created. This account would function in the same fashion as two other DPD accounts that receive funds collected through the DPD code compliance process: the “Housing and Abatement Account” and the “Emergency Relocation Assistance Account.” See Seattle Municipal Code 22.202.050 and 22.202.060. The Department is authorized to spend monies from this account to pay the costs of enforcement undertaken through either the notice of violation process or through civil action in the courts.

DPD has no way of knowing how much money might be collected through the enforcement and penalty process. Enforcement, however, could be very costly if property owners fail to register their properties or comply with the inspection requirements. Costs of approximately \$2.8 million dollars are built into the current forecast for enforcement work during the first five years of the program. Any funds recovered through penalties will offset these costs and reduce future registration fees.

In the long term, DPD anticipates enforcement activity will drop off significantly as the program becomes a normal part of doing business in the City. Enforcement costs and penalties collected will decrease as this occurs.

b) What is the financial cost of not implementing the legislation?

The costs would have to be borne by the program as a whole, contrary to the expressed desire of those most affected, the stakeholders. Operational issues will remain that impede implementing the program as well as creating unintended consequences including: keeping the registration signature requirement by the registered owner that

would not allow online processing, and keeping the December 31, 2016 deadline for 1-4 unit buildings but not allow for a staggered schedule for registering these units that would avoid registration-program saturation. These unintended consequences, if not addressed, may cost property owners more money and make the program more costly and less efficient.

- c) **Does this legislation affect any departments besides the originating department?**
No
- d) **What are the possible alternatives to the legislation that could achieve the same or similar objectives?** None
- e) **Is a public hearing required for this legislation?** No
- f) **Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required for this legislation?** No
- g) **Does this legislation affect a piece of property?** No
- h) **Other Issues:** None

List attachments to the fiscal note below: