

SUMMARY and FISCAL NOTE*

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** Note that the Summary and Fiscal Note describes the version of the bill or resolution as introduced; final legislation including amendments may not be fully described.*

1. BILL SUMMARY

1. Legislation Title: AN ORDINANCE related to the Rental Registration and Inspection Ordinance program, administered by the Seattle Department of Construction and Inspections; adding Seattle Municipal Code (SMC) Sections 22.900H.070 and 22.900H.080; and amending SMC Sections 22.214.040, 22.214.050, 22.900H.020, 22.900H.030, 22.900H.050, and 22.900H.060.

2. Summary and background of the Legislation:

This ordinance changes the Rental Registration and Inspection Ordinance (RRIO) program’s registration renewal cycle from five years to two years, adjusts RRIO program fees to better match associated work, increases some fees to cover expenses as required in the original RRIO legislation, and establishes a new private inspection submittal fee and late inspection fee.

The City established the RRIO program in late 2012. The purpose of RRIO is to help ensure rental housing in Seattle is safe and meets basic maintenance standards. RRIO was designed to help tenants who are unable to complain about their housing conditions because of barriers to accessing City services or fear of retaliation from their landlord. RRIO requires all rental properties (with a few narrow exceptions) to register with the City, pay a registration fee, and submit to periodic inspections as a condition of their registration.

The first RRIO program registrations are due for renewal beginning in 2019. This proposed legislation is the first time that core RRIO fees will be revisited since fees were first collected in 2014. The current five-year registration and renewal fees are \$175 for each rental property, plus \$2 for each unit after the first (which translates to \$2.92, plus 3¢ per additional unit monthly).

This legislation seeks to adjust fees to better align fees with the work performed, create a more equitable fee structure, and keep up with rising costs. Key changes are:

- Unit fees for renewals are increased to account for the extra work required for multi-unit properties, such as the multi-unit auditing requirements added in 2017. Notably, the legislation does not increase the annual registration cost to a single unit property owner because the property base fee is adequate to cover the work related to single-unit properties.

- Adds a new fee to recoup the cost of processing inspections performed by private inspectors.
- Adds a late inspection fee and increases the late registration/renewal fee to recoup extra costs from dealing with late submittals and to provide a disincentive for late submittals.
- Adjusts other fees to better reflect the cost of performing the work.

The legislation also seeks to increase efficiency and save on long-term costs by moving from the current five-year property registration and renewal cycle to an easier to administer two-year cycle. Finally, the legislation adjusts fees to recoup startup costs and to cover operating, inspection, and private inspector training costs not covered by the current RRIO fees.

The proposed fee changes are:

Fee		Current		Proposed	
Registration / Renewal	Property	\$175	every 5 years	\$70	every 2 years
	Additional Units	\$2		\$15	
Late Registration/ Renewal		\$20	if late	\$30	if late
City inspection	Property	\$160	once every 5-10 years	\$175	once every 5-10 years
	Additional Units	\$30		\$35	
Private Inspector Submittal Fee (new)		n/a	once every 5-10 years	\$40	once every 5-10 years
Late Inspection (new)		n/a	if inspection is late	\$30	if inspection is late
Private Inspector Registration		\$200	every 2 years	\$250	every 2 years
New Private Inspector Training Fee		\$50	one time	\$200	one time

2. CAPITAL IMPROVEMENT PROGRAM

- a. Does this legislation create, fund, or amend a CIP Project? ___ Yes X No

3. SUMMARY OF FINANCIAL IMPLICATIONS

- a. Does this legislation amend the Adopted Budget? ___ Yes X No

Budget program(s) affected:	Rental Housing	
Appropriation change (\$):	General Fund \$	Other \$

	2019	2020	2019	2020
Estimated revenue change (\$):	Revenue to General Fund		Revenue to Other Funds	
	2019	2020	2019	2020
			\$939,176	(\$677,697)
Positions affected:	No. of Positions		Total FTE Change	
	2019	2020	2019	2020

Note that the forecast shows a decline in revenue in 2020 because under the existing five-year cycle there would be a large number of \$175 property base fees collected in 2020 and 2021 before revenue drops off for three years. Under the new proposed fee structure, the base fee is \$70 but is collected every two years. Starting in 2021, as the two-year cycles begin to compound, the projected revenue increases and stabilizes (see Attachment A).

b. Does the legislation have other financial impacts to the City of Seattle that are not reflected in the above, including direct or indirect, short-term or long-term costs?
None anticipated.

c. Is there financial cost or other impacts of *not* implementing the legislation?
By not implementing the legislation, the RRIO program will be unable to cover its operating expenses or payback unrecouped startup costs. This is contrary to Council’s intent that the RRIO program should be fully self-funded through its fees. It will also have an adverse effect on SDCI’s overall fund balance.

3.e. Revenues/Reimbursements

 This legislation adds, changes, or deletes revenues or reimbursements.

Anticipated Revenue/Reimbursement Resulting from this Legislation:

Fund Name and Number	Dept	Revenue Source	2019 Estimated Revenue	2020 Estimated Revenue	2021 Estimated Revenue	2022 Estimated Revenue	2023 Estimated Revenue
Construction and Inspections Fund (48100)	SDCI	Rental Housing Registration and Inspection (RRIO) Fees	\$939,176	(\$677,697)	\$355,448	\$1,232,619	\$2,922,061
TOTAL			\$939,176	(\$677,697)	\$355,448	\$1,232,619	\$2,922,061

Note: the revenue estimates in this table are derived from the RRIO fee model which assumes future fee increases to cover labor cost COLAs, including an increase in inspection fees in 2021 and an increase in registration/renewal fees in 2023.

Is this change one-time or ongoing?

Ongoing – SDCI intends to keep this new fee schedule for at least four years while existing registered properties shift to the new two-year renewal cycle. Unanticipated staffing changes,

changes in labor costs, or changes in the number of rental properties may result in the over-collection or under-collection of revenue, in which case fees will be adjusted.

Revenue/Reimbursement Notes: N/A

3.f. Positions

_____ **This legislation adds, changes, or deletes positions.**

Position Notes:

SDCI does not propose to change current authorized FTEs in the current budget cycle. As the anticipated efficiencies of a two-year cycle are realized in about four years, SDCI expects to reduce FTE levels. SDCI will not hire authorized staff if the workload does not warrant it. For example, SDCI is currently holding an inspector and an administrative position vacant until an expected workload increase occurs.

4. OTHER IMPLICATIONS

a. Does this legislation affect any departments besides the originating department?

No

b. Is a public hearing required for this legislation?

No

c. Does this legislation require landlords or sellers of real property to provide information regarding the property to a buyer or tenant?

No – it affects landlord fees, but it does not require disclosures

d. Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required for this legislation?

No

e. Does this legislation affect a piece of property?

No

f. Please describe any perceived implication for the principles of the Race and Social Justice Initiative. Does this legislation impact vulnerable or historically disadvantaged communities?

The legislation raises fees on multi-unit property owners. It's possible these fees may be passed on to renters who are disproportionately vulnerable or are part of historically disadvantaged communities. However, the fee increases are very small relative to current rent prices and market forces are a much greater driver of rents. The following table shows the cost of the current and proposed registration renewal fee increase for three different property classes.

			Monthly Cost per unit		
			Single Family	10 Unit	100 Unit
Current - 5 yr billing cycle	\$35.00	property	\$2.92	\$0.32	\$0.06
	\$0.40	additional unit			
Proposed 2 yr billing cycle	\$35.00	property	\$2.92	\$0.85	\$0.65
	\$7.50	Additional unit			

- g. If this legislation includes a new initiative or a major programmatic expansion: What are the specific long-term and measurable goal(s) of the program? How will this legislation help achieve the program’s desired goal(s).**
 Not applicable

List attachments/exhibits below: Summary Attachment A – RRIO 5-Year Revenue, Expenditure, and Fund Balance Projection

ATTACHMENT A
RRIO 5-Year Revenue, Expenditure, and Fund Balance Projection

The proposed revenue forecast shows a decline in revenue in 2020 because under the existing five-year cycle there would be a large number of \$175 property base fees collected in 2020 and 2021 before revenue drops off for three years. Under the new proposed fee structure, the base fee is \$70 but is collected every two years. Starting in 2021, as the two-year cycles begin to compound, the projected revenue increases and stabilizes.

Revenue

	2019	2020	2021	2022	2023
No Change (current fees, 5-year cycle)	\$1,011,619	\$2,457,716	\$2,759,464	\$963,318	\$596,854
Proposed (revised fees, 2-year cycle)	\$1,950,794	\$1,780,020	\$3,114,912	\$2,195,937	\$3,518,915
Revenue change resulting from proposal	\$939,176	(\$677,697)	\$355,448	\$1,232,619	\$2,922,061

Expenditures

	2019	2020	2021	2022	2023
No Change (current fees, 5-year cycle)	\$2,044,532	\$2,072,545	\$2,120,651	\$2,004,763	\$2,019,818
Proposed (revised fees, 2-year cycle)	\$2,044,532	\$2,072,545	\$2,120,651	\$2,160,607	\$1,963,998

Fund Balance

	2019	2020	2021	2022	2023
No Change (current fees, 5-year cycle)	(\$6,526,571)	(\$5,865,208)	(\$4,688,304)	(\$5,796,322)	(\$7,417,046)
Proposed (revised fees, 2-year cycle)	(\$5,223,706)	(\$5,016,334)	(\$4,454,314)	(\$4,086,511)	(\$3,062,886)

Note: the revenue estimates in this table are derived from the RRIO fee model which assumes future fee increases to cover labor cost COLAs, including an increase in inspection fees in 2021 and an increase in registration/renewal fees in 2023.

Note: expenditure estimates are from the RRIO fee model based on May 2018 assumptions about current and future labor costs, overhead, etc. These estimates may not necessarily reflect the Mayor’s proposed budget.