
Housing Committee

HB 1389

Brief Description: Concerning residential rent increases under the residential landlord-tenant act and the manufactured/mobile home landlord-tenant act.

Sponsors: Representatives Ramel, Macri, Peterson, Duerr, Gregerson, Alvarado, Ormsby, Doglio, Riccelli, Cortes, Mena, Thai, Kloba, Bateman, Street, Taylor, Lekanoff, Simmons, Farivar, Pollet, Stonier, Berry, Reed, Bergquist, Davis, Santos, Senn, Reeves, Stearns and Fosse.

Brief Summary of Bill

- Prohibits, with certain exemptions, a landlord from increasing the rent for a tenancy subject to the Residential Landlord-Tenant Act or the Manufactured/Mobile Home Landlord-Tenant Act during the first 12 months after a tenancy begins, and during any 12-month period in an amount greater than the rate of inflation as measured by the consumer price index or 3 percent, whichever is greater, up to a maximum of 7 percent above the existing rent, as required to be calculated and published annually by the Department of Commerce.

Hearing Date: 1/24/23

Staff: Audrey Vasek (786-7383).

Background:

Residential Landlord-Tenant Act.

The Residential Landlord-Tenant Act (RLTA) regulates the relationship between landlords and tenants, and includes provisions regarding the duties of tenants and landlords, remedies for

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violations of those duties, and prohibited actions.

Rent Increases.

Except for certain subsidized tenancies, a landlord is generally required to provide a minimum of 60 days' prior written notice of a rent increase to each affected tenant, and any increase in rent may not become effective prior to completion of the term of the rental agreement.

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 a minimum of 30 days' prior written notice of a rent increase to each affected tenant, and an increase in rent may become effective upon completion of the term of the rental agreement or sooner upon mutual consent.

Manufactured/Mobile Home Landlord-Tenant Act.

The Manufactured/Mobile Home Landlord-Tenant Act (MHLTA) governs the legal rights, remedies, and obligations arising from any rental agreement between a landlord and a tenant regarding a mobile home lot within a mobile home park where the tenant has no ownership interest in the property or in the association that owns the property.

Rent Increases.

Except for certain escalation clause provisions, 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.

A landlord seeking 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.

Summary of Bill:

Rent Increase Limit.

Unless an exemption applies, a landlord is prohibited from increasing the rent for a tenancy subject to the RLTA or the MHLTA during the first 12 months after a tenancy begins; and, during any 12-month period, in an amount greater than the rate of inflation as measured by the consumer price index or 3 percent, whichever is greater, up to a maximum of 7 percent above the existing rent.

The Department of Commerce (Department) must calculate and publish the maximum annual rent increase percentage (rent increase limit) allowed for each calendar year beginning on September 30, 2023, and annually on each following September 30th. The "rate of inflation as

measured by consumer price index" means the September-to-September 12-month percent change in the consumer price index for all urban consumers (CPI-U), west region, as published each September by the United States Department of Labor, Bureau of Labor Statistics.

Exemptions to the Rent Increase Limit.

A landlord may increase rent in an amount greater than the rent increase limit as authorized by certain exemptions. Exemptions are allowed for new buildings and publicly funded properties. Exemptions are also allowed in certain cases where the landlord has paid for improvements to the property, is experiencing significant hardship, or participates in the banked capacity program operated by the Department.

New Buildings.

If the first certificate of occupancy for the dwelling unit was issued 10 or less years before the date of the notice of the rent increase, rent increases for the dwelling unit are not subject to the rent increase limit. This exemption does not apply to manufactured/mobile home lots.

Publicly Funded Properties.

If the tenancy is in a federally funded property owned or operated by a public housing authority, or in a property that is funded through a state housing assistance program, rent increases during the tenancy are not subject to the rent increase limit.

Improvements to the Property.

If the landlord has paid for improvements, not including basic maintenance, to the dwelling unit, mobile home lot, or common areas for which the costs or the tenant's proportional share of the costs were greater than an amount equal to four months' rent, and the improvements were made during the 12 months immediately preceding the rent increase notice, the landlord may increase rent by up to 7 percent, or 4 percent plus the rent increase limit allowed for the calendar year, whichever is greater.

Significant Hardship.

If a landlord is experiencing significant hardship in complying with the rent increase limit for the current calendar year due to a disparity between the local costs for providing housing and the statewide costs for providing housing, the landlord may request that the Department issue a significant hardship exemption and approve an alternate rent increase limit consistent with the increased local costs for providing housing.

The Department must adopt rules to establish a process to review landlord requests for individual significant hardship exemptions. In issuing a significant hardship exemption, the Department must consider evidence of the landlord's significant hardship, the landlord's actual costs for

providing housing, and the local and statewide costs for maintenance, operating expenses, and property taxes.

The Department must issue a letter to the landlord describing its findings and the reasons for its decision to grant or deny the request. The landlord must attach this letter to a rent increase notice.

Banked Capacity Program.

Under the banked capacity program, if a landlord does not increase the rent in a 12-month period, the landlord may choose to bank the rent increase capacity for future years. Within certain limits, the landlord may use this banked capacity to increase the rent above the rent increase limit by an additional 3 percent for each year that the landlord has banked capacity.

A landlord who participates in the banked capacity program must provide an annual notice to current and prospective tenants of the total banked capacity and possible future rent increases. A landlord forfeits their right to claim banked capacity if the landlord fails to properly deliver the notice to the tenant.

The Department must adopt rules to implement the banked capacity program and establish a process to document when a landlord decides to bank capacity. The Department must also make information about the banked capacity program available on its website, including a method for a tenant to verify their landlord's participation in the program and the amount of total banked capacity for their dwelling unit or mobile home lot.

Banked Capacity Program Limits.

The landlord's ability to use banked capacity is limited in certain circumstances.

If a tenant is evicted, or if a tenant leaves after an eviction has been initiated, for any new rental agreement entered into within 12 months of the termination of the prior tenancy, the amount of rent that a landlord may charge a new tenant is limited to the previous tenant's rent plus any banked capacity that was accrued under the prior tenancy, unless another exemption to the rent increase limit applies.

If a tenant voluntarily moves out, the amount of rent that a landlord may charge a new tenant is not limited by the rent increase limit or any banked capacity, and the landlord may reset the rent to market rate. However, if the landlord increases the rent for the new tenant beyond the previous tenant's rent, any banked capacity is lost. If the landlord chooses not to increase the rent for the new tenant, the landlord may retain any banked capacity that accrued under the prior tenancy.

If a new owner buys a property and takes over a lease, the new owner may not increase rent for existing tenants beyond the amount that the previous landlord would have been allowed to

increase rent, unless another exemption to the rent increase limit. The former landlord's banked capacity may be transferred as part of a property sale.

Remedies.

A tenant who is charged rent in violation of the rent increase limit may sue a landlord to recover actual damages in the amount of the excess rent paid, mandatory punitive damages equal to three months of the unlawful higher rent, and reasonable attorneys' fees and costs incurred in bringing the action.

Rent Increase Notices.

A landlord must provide annual notice to current and prospective tenants of rent increases, possible future rent increases, banked capacity, and tenants' rights regarding rent increases. If a landlord claims an exemption from the rent increase limit, the landlord must include facts supporting the exemption in the rent increase notice. The rent increase notice must be substantially similar in form to the language provided in the bill.

The notice must comply with statutory requirements in the RLTA or MHLTA regarding the minimum number of days' prior written notice that landlord must provide a tenant before a rent increase, and the notice must be served in accordance with the requirements for service of notice under the "unlawful detainer" or eviction proceedings chapter.

Appropriation: None.

Fiscal Note: Requested on January 20, 2023.

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