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**Bill number:** 250329

**Introduced by:** O'Rourke

**Cosponsor(s):** Phillips, Gauthier, Jones, Landau, Young, Brooks

**Assigned committee:** Housing, Neighborhood Development and The Homeless

**Date introduced:** April 10, 2025

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## **Fiscal Note**

### **Overview**

This bill would amend requirements for rental licenses and Certificates of Rental Suitability, authorize the Department of Licenses and Inspections to create a proactive inspection program, and add other changes. The anticipated cost to the City is about \$21 million over five years.

### **Legislative Summary**

#### ***Violations, Habitability Issues, and Rental Licenses***

If a property has any outstanding violations or habitability issues on record for more than 30 days with no pending appeal, this bill would authorize the Department of Licenses and Inspections (L&I) to not issue or renew rental licenses. The rental licenses would also be deemed to be in not good legal standing.

#### ***Notice to Tenants***

This bill requires property owners and the Department of Licenses and Inspections to notify all tenants via first class mail, under the following circumstances:

- The property owner's rental license has expired or become inactive, or
- The property owner is not compliant with the requirements for a Certificate of Rental Suitability.

#### ***Limiting Ability to Collect Rent and File an Eviction***

Currently the law provides that landlords who fail to obtain a rental license or who are not compliant with requirements related to a Certificate of Rental Suitability may not collect rent or take steps to evict tenants. This bill would expand the circumstances those

restrictions would apply to landlords to include instances in which there are any violations on record for more than 30 days, when an appeal of those violations is not pending.

***Compliance and Unpaid Fines***

This bill adds that a rental license would not be eligible for issuance or renewal until the licensee/applicant is in compliance with all outstanding violations and paid in full all fines and costs. This bill also outlines that rental licenses would only be renewed on the first of the month after:

- Compliance with all outstanding violations,
- Payment in full with all unpaid fines and costs, and
- The license and/or Certificate of Rental Suitability has been renewed.

***Required Attachments to Tenants***

During an action for eviction or collection of rent, this bill would require the property owner to attach a copy of their rental license, Certificate of Rental Suitability, and a copy of the L&I inspection history during the relevant tenancy.

***Remedies for Private Lawsuits***

Current City law gives tenants the right to file a private lawsuit against the owner to compel compliance. This bill would add that a tenant who wins their lawsuit would be entitled to the following remedies:

- Civil monetary damages up to \$2,000 per unit,
- Compensatory damages for any harm caused by non-compliance,
- Refund of rent paid by the tenant during any period when the rental license or Certificate of Rental Suitability was not active, or after the owner failed to correct code violations or habitability issues,
- Injunctive relief or any other relief that the court deems appropriate, and
- Reasonable attorney's fees and costs.

***Lease Renewal Requirements***

Current City law requires that at the beginning of a tenancy a property owner is required to provide the Certificate of Rental Suitability. The Certificate of Rental Suitability must be issued by L&I no more than 60 days before the beginning of the tenancy. This bill would add that these steps are also required for each time the owner renews a lease with an existing tenant. The bill also adds that the Certificate of Rental Suitability is only valid for an individual rental unit.

***Acknowledgement of Obligations from Owner***

Current City law requires the owner of the rental unit to be leased to acknowledge certain obligations that make the unit fit and habitable. This bill adds a new obligation to be acknowledged by the owner:

- That the unit is free of unfit, unsafe, or imminently dangerous conditions, and the owner will continue to ensure that the property remains so.

***Notice of Non-Compliance***

If an owner fails to correct code violations outlined in the acknowledgement of obligations from owner, the owner would be responsible for providing all tenants with a notice of non-compliance within seven days, including notice that the landlord is prohibited from collecting rent. This bill also allows the tenant to request the notice of non-compliance from L&I.

***Proactive Inspection Program***

This bill would allow L&I to create a Proactive Inspection Program to inspect residential properties on a regular basis by July 2030.

***Reporting Requirements***

This bill adds that L&I would prepare a publicly available annual report and provide the report to City Council. The report would include:

- The current status of the Proactive Inspection Program.
- An assessment of progress towards the goal of routine proactive inspections for all units.
- A plan for developing the program over the next calendar year.
- An overview of inspections performed in response to complaints, including several different types of data that give information about the complaints, zip code information, and average response time.
- Information about the notices of intent to cease operations and cease operations orders.
- The number of tenants displaced from their residences due to cease operations orders.
- A list of all residential property owners and addresses with an open unfit, unsafe, imminently dangerous or cease operations violation.

This bill would make the first annual report due to City Council by December 31, 2025. Annual reports afterwards would be due by June 30<sup>th</sup> of each year.

***Proposed Effective Date***

This legislation would be effective immediately after enactment.

## Fiscal Impact Analysis

The estimated cost of implementing this legislation is summarized in the below table. The total cost is estimated to be about \$21 million over five years.\*

Fiscal Impact Summary	FY26	FY27	FY28	FY29	FY30	Total
<b>Expenditure Increase/(Decrease)</b> Department of Licenses and Inspections Personnel and Other Costs	\$4,847,000	\$2,894,00	\$2,894,000	\$2,894,000	\$2,894,000	<b>\$16,423,000</b>
<b>Expenditure Increase/(Decrease)</b> The Office of the Director of Finance Fringe Benefits Costs	\$987,150	\$987,150	\$987,150	\$987,150	\$987,150	<b>\$4,935,750</b>
<b>Expenditure Increase/(Decrease)</b> The Department of Fleet Services Vehicle Fuel and Maintenance Costs	\$66,000 – \$110,000	\$66,000 – \$110,000	\$66,000 – \$110,000	\$66,000 – \$110,000	\$66,000 – \$110,000	<b>\$330,000 – \$550,000</b>
<b>Net Cost/(Savings)</b>	<b>\$5,900,150</b> - <b>\$5,944,150</b>	<b>\$3,947,150</b> - <b>\$3,991,150</b>	<b>\$3,947,150</b> - <b>\$3,991,150</b>	<b>\$3,947,150</b> - <b>\$3,991,150</b>	<b>\$3,947,150</b> - <b>\$3,991,150</b>	<b>\$21,688,750</b> - <b>\$21,908,750</b>

\* Disclaimer: The estimated costs of this legislation may vary. Estimates were calculated using best information available at this time. However, inflation and other economic factors may impact the overall cost.

### Expenditures

#### The Department of Licenses & Inspections (L&I):

- **Class 100: Personal Services:** The Department estimates that 16,000 rental units would be inspected annually with 8,000 representing new rental licenses. It estimates that the following positions would need to be hired to implement a proactive inspection program:

Position Title	Quantity
L&I Enforcement Director	1
L&I Code Enforcement Supervisor	1
Service Representative	1
L&I Code Specialist	20

In addition to authorizing the creation of a proactive inspection program, this bill also makes changes to requirements for rental licenses and notices. The

Department estimates that they would need to hire three Code Administrators to increase capacity for license issuances, boards, and remote support.

Position Title	Quantity
Code Administrator (License Issuance)	1
Code Administrator (Boards)	1
Code Administrator (Remote Support)	1

Due to the changes in rental license requirements, the Department estimates that this bill would increase the number of requests for appeals. Appeals are reviewed by the Board of License and Inspection Review. The increase in appeals may require increasing the number of sessions that the Board meets to review appeals, impacting Class 100 costs as Board members are paid a fee per session.

- **Class 200: Purchase of Services:** Costs associated with class 200 for the proactive inspection program include tablet and phone service, training classes, certification vouchers, leasing space for the new unit, and other related costs. The first year's costs include more upfront costs for training, certification vouchers for the new hires, and translation services for the educational campaign. This campaign would educate property owners and residents about this new program. In addition to authorizing the creation of a proactive inspection program, this bill also makes changes to requirements for rental licenses and notices. The Department estimates that new changes for rental licenses and notices would require an update to their software program, eCLIPSE, for batch mail and email notices.
- **Class 300 and 400: Materials, Supplies, and Equipment:** Costs associated in this class include code books, uniforms, tablets, phones, vehicles, and office furniture. The first year's costs include more upfront costs for purchasing vehicles, tablets, office furniture, and phones for the new unit. Since this would be a new program, the Department also expects to purchase educational materials to educate property owners and residents about the program. The materials needed for the educational campaign would also be a one-time cost in the first year.

**The Office of the Director of Finance:** The employee salaries would be funded through L&I's budget, but the associated fringe benefits for these positions would be included in the Citywide fringes line in the Office of the Director of Finance's budget.

**Annual Fringe Benefit Cost: \$987,150**

**Department of Fleet Services:** The purchase of new vehicles for the proactive inspection unit would add additional costs and responsibilities for the Department. Specifically, these new vehicles could impact the following classes in their budget:

- **Class 100: Personal Services** related to their labor and overtime budget.
- **Class 200: Purchase of Services** related to their repair and maintenance budget.
- **Class 300: Materials and Supplies** related to their vehicle parts and fuel budget.

- **Class 400: Equipment** related to their acquisitions budget.

The Department estimates that each new vehicle would add \$3,000 to \$5,000 in costs related to vehicle fuel and maintenance.

**Vehicle Fuel and Maintenance Costs: \$66,000 - \$110,000**

***Disclaimer***

The proactive inspection program would be a newly created unit and program. As such, cost estimates detailed in this document may vary from actual costs. External economic factors, such as inflation, may impact the overall costs to implement the program.

Additionally, the implementation timeline of the program may vary from the Fiscal Impact Summary table. The timeline of the program may be impacted by the completion of a study currently underway and the recruitment of the additional hires.

**Legislative History**

**2015**

***140892-A Enacted***

Bill number 140892-A was introduced by former Councilmember Henon and signed into law on February 11, 2015. Among other things, this bill outlined requirements for different license types, including rental licenses and the Certificate of Rental Suitability.

***150266 - Enacted***

Bill number 150266 was introduced by former Councilmember Henon and signed into law on June 16, 2015. Among other things, this bill created the transition from housing inspection licenses to rental licenses.

**2019**

***190158 - Lapsed***

Bill number 190158 was introduced by former Councilmember Domb for former Council President Clarke. The bill was never enacted because it lapsed at the end of the legislative session. Among other things, this bill would have required rental listings to include the rental license number, including reporting requirements to L&I.

***190159 - Lapsed***

Bill number 190159 was introduced by former Councilmember Gym for former Council President Clarke, former Councilmembers Quiñones Sánchez, Domb and Blackwell, and Councilmembers Jones and Squilla. The bill was never enacted because it lapsed at the end of the legislative session. Among other things, this bill would've created a Low-Income Tenant Defense Fund.

**Prepared by:** Policy and Fiscal Analyst Unit, Mayor's Office of Legislative Affairs

**Date:** 06/03/2024

This document is a summary of proposed legislation as introduced and is prepared by the Mayor's Office of Legislative Affairs for general information only. It does not represent the official legal position of the City. Estimates are calculated using the best information available. Actual costs and revenue impact incurred may vary from estimates.