



June 10, 2022

Monica Martinez Simmons
Seattle City Clerk
600 4th Avenue, 3rd Floor
Seattle, WA 98104

Dear Ms. Martinez Simmons:

Under my authority in Article IV, Section 12 of the Seattle City Charter, I have vetoed Council Bill 120325 requiring landlords to submit proprietary information about their rental units to a research institution, which was narrowly adopted by the City Council with a vote of five in favor and four opposed. I have the utmost respect for the legislation's sponsors who seek quality data to make policy decisions. However, I do not believe CB 120325 will achieve its stated aims; the reliability of the data's accuracy will be questionable according to the University of Washington; it will be costly to create with no funding source identified; and it will be difficult to implement in enough time to inform the update to the City's Comprehensive Plan.

James Young, Director of the University of Washington's Washington Center for Real Estate Research, outlined several reasons the legislation presents problems. In a letter to the members of the Council's Finance and Housing Committee on May 5, 2022 (see Attachment A), Director Young makes a convincing case that a mandatory system compelling landlords to provide commercially sensitive business information about the size, characteristics, price, and occupancy status of rental units is unlikely to yield reliable data.

Beyond problems with the approach, the likely financial costs associated with designing a mandatory reporting system are too high. City department staff provided estimates that the costs to stand up a new system and provide staffing support could be at least \$2 million and as much as \$5 million – money that could otherwise directly serve people suffering in the ongoing homelessness crisis. Meanwhile, the City is facing a significant budget shortfall, and I have asked Executive Departments to identify significant budget reductions for 2023 and 2024. I cannot support moving forward with an expensive new program that is unlikely to achieve its stated aims and has no clear source of funding to pay for it. It is also unlikely that the program as envisioned would be implemented in time to inform the issuance of the Comprehensive Plan's Draft Environmental Impact Statement, which is due out next year for public review.

While I do not agree with this legislation's approach, I agree on the stated goal: we need reliable data. With that in mind, and relying on the wisdom of Director Young from the University of Washington, I am calling on private industry to establish a replacement to the now-shuttered Dupre + Scott Apartment Advisors, which was a trusted source that tracked rental housing locally.

I am committed to working with the City Council on the Comprehensive Plan update and balancing the need to accommodate more growth in the city while minimizing potential negative impacts. I look forward to continued productive engagement moving forward, and I appreciate all that our Councilmembers do in service to the people of Seattle.

Sincerely,

A handwritten signature in black ink that reads "Bruce A. Harrell". The signature is written in a cursive, flowing style.

Bruce A. Harrell
Mayor of Seattle

Attachments:

- May 5, 2022 letter from James Young, Director, Washington Center for Real Estate Research



Teresa Mosqueda, Chair
Seattle City Council, Finance and Housing Committee
By email

WCRER Submission on CB 120315

5 May, 2022

Dear Councilmembers,

Over the past few weeks, I have spoken with officer in the City of Seattle researchers and several groups with an interest in the rental data project proposed under the landlord registration bill going to committee [CB 120315](#). Having seen the latest draft of the bill, I wanted to outline some of my concerns and describe the role that the Washington Center for Real Estate Research (WCRER) has in regard to collecting rental housing data throughout the state of Washington.

As someone who has spent their career collecting and analyzing house price and rent data, the goal of collecting highly granular rental and vacancy data is laudable. However, my concern is that the legislation as drafted will not yield the level of quality of data the City requires. This is because the legislation lacks two key data collection elements crucial to success. These are:

1. The program needs to be voluntary. A mandatory program presents a high risk that incomplete or inaccurate data will be provided, which would in turn lead to inaccurate results.
2. The entity collecting the data matters. Owners are concerned about disclosure of commercially sensitive business information that could adversely affect their businesses. If owners do not trust the organization collecting rental and vacancy data, then they will not participate. These concerns revolve around keeping data confidential and aggregating data in ways that do not allow for identification of business interests. If required to participate, then landlords would have the incentive to not provide accurate information with subsequent inaccurate results.

In the past, the city relied on data from a company that had widespread trust among the private rental housing community. Data was aggregated appropriately, provided to the City of Seattle on a regular basis, and used as a guide for policy decisions because the level of cooperation allowed the company to audit and maintain data integrity through its expensive network of relationships. Since that business closed due to retirement, there has been no replacement company emerge. While CoStar and other data providers cover larger multifamily developments on a timely basis on a subscription basis, efforts since that time by state and local governmental organizations to force smaller scale landlords to provide rental housing data directly to them has made all private landlords more reluctant to provide data over time to any organizations assessing real estate markets.

Therefore, I recommend a working group be established with private sector organizations, community leaders and key executive branch departments to ascertain what data is required for

the city to conduct rental housing analysis based upon past reports and to develop a path forward. Given the WCRER role as a neutral party whose only interest is in reliable data, we are well positioned to develop a framework with the city so that a working group on this topic can be convened and solutions can be found quickly.

Here is some background on the WCRER and the work we do:

The WCRER was formally established by the legislature in 1999 to consolidate real estate data resources to inform real estate decision making at the state and regional level as well as to support the work of real estate academics at Washington State University. Currently based at the University of Washington, RCW 18.85.471 outlines the purpose of the Center as:

(1) The purpose of a real estate research center in Washington state is to provide credible research, value-added information, education services, and project-oriented research to real estate licensees, real estate consumers, real estate service providers, institutional customers, public agencies, and communities in Washington state and the Pacific Northwest region. The center may:

(a) Conduct studies and research on affordable housing and strategies to meet the affordable housing needs of the state;

(b) Conduct studies in all areas directly or indirectly related to real estate and urban or rural economics and economically isolated communities;

(c) Disseminate findings and results of real estate research conducted at or by the center or elsewhere, using a variety of dissemination media;

(d) Supply research results and educational expertise to the Washington state real estate commission to support its regulatory functions, as requested;

(e) Prepare information of interest to real estate consumers and make the information available to the general public, universities, or colleges, and appropriate state agencies;

(f) Encourage economic growth and development within the state of Washington;

(g) Support the professional development and continuing education of real estate licensees in Washington;

(h) Study and recommend changes in state statutes relating to real estate; and

(i) Develop a vacancy rate standard for low-income housing in the state.

In order to fulfill its obligations, the WCRER must work closely with the private sector to gather adequate data resources and to continue its activities. Because it is housed in an institution of higher learning in the state of Washington, the WCRER also acts as a public resource from a governmental perspective with funding contingent upon acts of the legislature instead of direct funding through the private sector. In other words, the WCRER is not dependent upon private sector funding but must work closely with the private sector to carry out its work on behalf of the state.



Because of its legislative mandate and its working relationships with the private sector, the WCRER is neutral regarding the policy on landlord registration. However, the WCRER is also in a unique position with experience to critically assess research and data reliability issues in a broader context. Based upon the experience of WCRER, informal discussions with city officials, and interested parties, there are several research and reliability issues likely to arise when collecting rent and vacancy data through a mandatory system.

As a result of these and many other concerns, the WCRER suggests further discussions on how the private sector might voluntarily support data needs the city might have.

If you have any further enquiries, please do not hesitate to contact me.

Sincerely,

James Young, Director
Washington Center for Real Estate Research

Cc: Members of the Finance and Housing Committee, City of Seattle
Councilmember Alex Pedersen
Councilmember Andrew Lewis
Councilmember Lisa Herbold
Councilmember Sara Nelson

