

# HOUSE BILL REPORT

## HB 1440

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**As Reported by House Committee On:**  
Commerce & Labor

**Title:** An act relating to allowing out-of-state licensees to practice commercial real estate.

**Brief Description:** Allowing out-of-state licensees to practice commercial real estate.

**Sponsors:** Representatives Conway, Chandler, Tom and Wood.

**Brief History:**

**Committee Activity:**

Commerce & Labor: 2/3/03, 2/10/03 [DPS].

**Brief Summary of Substitute Bill**

- Allows an out-of-state real estate broker or salesperson to conduct commercial real estate transactions in Washington under certain conditions, including working in cooperation with a Washington real estate broker.

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### HOUSE COMMITTEE ON COMMERCE & LABOR

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 7 members: Representatives Wood, Vice Chair; Chandler, Ranking Minority Member; Condotta, Assistant Ranking Minority Member; Crouse, Holmquist, Hudgins and Kenney.

**Staff:** Chris Cordes (786-7103).

**Background:**

A real estate broker is a person who: (1) sells, lists, or buys real estate for others; (2) negotiates for others the purchase, sale, exchange, lease, or rental of real estate, business opportunities, or a manufactured home in conjunction with the land on which the home is located; (3) advertises or holds himself or herself out to the public as engaged in these activities; or (4) engages, directs, or assists in procuring prospects or in negotiating or closing any transaction which results in these activities.

A real estate salesperson is a natural person employed by a real estate broker in

conducting the real estate business. An associate real estate broker is a person who has qualified as a broker, but who works with another broker and has a license stating that he or she is associated with another broker.

A real estate broker, associate broker, or salesperson is required to obtain a state license from the Department of Licensing. To receive a license, an individual must meet certain requirements, including passing the license examination established by the Washington Real Estate Commission and having minimum amounts of training. To receive a broker's license, the applicant must have at least two years of experience as a salesperson.

Unless a real estate broker from another state has a Washington license, the broker is not allowed to conduct real estate transactions in Washington.

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### **Summary of Substitute Bill:**

An out-of-state broker may conduct transactions involving commercial real estate that require a real estate license in Washington if the broker:

- works in cooperation with a Washington real estate broker;
- has a written agreement with the Washington broker regarding cooperation, oversight, and compensation;
- agrees to adhere to Washington law and consents to jurisdiction in Washington;
- furnishes a copy of his or her current out-of-state real estate broker's license;
- includes the cooperating Washington broker's name on advertisements; and
- keeps records with the cooperating Washington broker for three years after the transaction or the date the documents were provided, whichever is later.

An out-of-state salesperson or associate broker may participate in transactions involving commercial real estate that require a real estate license in Washington if the salesperson or associate broker:

- is licensed with and works under the supervision of the out-of-state broker who meets all the Washington requirements established for the out-of-state broker; and
- provides the cooperating Washington broker a copy of his or her current out-of-state real estate salesperson's or associate broker's license.

Commercial real estate means real estate other than real estate with four or fewer residential units. Commercial real estate does not include a single-family residential lot or unit when the transaction is unit-by-unit, even though the unit is part of a larger building or parcel of real estate (such as condominiums or homes in a subdivision).

### **Substitute Bill Compared to Original Bill:**

The substitute bill makes several technical and grammatical corrections, including clarifying when the three-year time period expires for depositing documents related to the

transaction.

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**Appropriation:** None.

**Fiscal Note:** Not requested.

**Effective Date of Substitute Bill:** The bill takes effect ninety days after adjournment of session in which bill is passed.

**Testimony For:** This is a priority bill for the commercial brokers' associations. It only permits out-of-state broker arrangements in commercial transactions. Commercial practice is unique in requiring brokers to work all over the country. A number of states permit this cooperative arrangement. Washington border counties with large populations will particularly benefit from the cross-border business. The bill will improve Washington's regulatory oversight of these out-of-state entities by giving the Department of Licensing an audit process when there are complaints. If there are any problems, it will be the Washington broker who is responsible.

**Testimony Against:** None.

**Testified:** Bob Mitchell, Washington State Commercial Association of Realtors; Paul Chiles, Commercial Brokers Association; and Jana Jones, Department of Licensing.