

HOUSE BILL REPORT

SHB 1440

As Passed House:

February 14, 2003

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: By House Committee on Commerce & Labor (originally sponsored by Representatives Conway, Chandler, Tom and Wood).

Brief History:

Committee Activity:

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

Floor Activity:

Passed House: 2/14/03, 97-0.

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.

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.

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).

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: 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.