

HOUSE BILL REPORT

SHB 2014

As Amended by the Senate

Title: An act relating to the regulation of conversion condominiums.

Brief Description: Addressing the regulation of conversion condominiums.

Sponsors: By House Committee on Housing (originally sponsored by Representatives Chase, Santos, Kenney, Hasegawa, Miloscia, Simpson and Ormsby).

Brief History:

Committee Activity:

Housing: 2/12/07, 2/26/07 [DPS].

Floor Activity:

Passed House: 1/18/08, 94-3.

Senate Amended.

Passed Senate: 3/6/08, 36-11.

Brief Summary of Substitute Bill

- Extends the notification requirement from 90 to 120 days to tenants to be affected by a condominium conversion.
- Authorizes a city or county government to require a condominium conversion declarant to pay relocation assistance to low-income tenants in an amount to be determined by the city or county, but not to exceed three months of a tenant's rent.
- Prohibits interior construction related to the conversion of condominiums during the 120-day notice period unless a building is vacant or unless the declarant meets specific requirements.

HOUSE COMMITTEE ON HOUSING

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass.
Signed by 7 members: Representatives Miloscia, Chair; Springer, Vice Chair; Dunn, Ranking
Minority Member; Kelley, McCune, Ormsby and Schindler.

Staff: Robyn Dupuis (786-7166).

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Background:

Notice of Condominium Conversion

When apartments are converted into condominiums, the condominium developer must give each existing apartment tenant notice of the conversion 90 days before they are required to vacate. No tenant may be required to vacate on less than 90 days notice except for tenant violations of the Landlord-Tenant Act.

City or County Requirements - Relocation Assistance

A city or county may establish a variety of requirements in regards to condominium conversions including that relocation assistance be paid to tenants who elect not to purchase a unit. Relocation assistance may not exceed \$500 per unit.

Local Ordinances and Building Codes - Restrictions

Local regulations may not prohibit the condominium form of ownership nor impose requirements on condominiums which it would not impose on a similar development.

Summary of Substitute Bill:

Notice of Condominium Conversion

A condominium declarant must give existing apartment tenants 120 days notice of the conversion of the apartment into a condominium and may not require that the tenant vacate the apartment before that 120-day period has expired. The notice must include information about any city or county relocation assistance program.

City or County Requirements - Relocation Assistance and Construction Commencement

A city or county may require that:

(1) The declarant pay relocation assistance of an amount to be determined by the city or county, but not to exceed three months of a tenant's rent, to tenants who:

- elect not to purchase a unit;
- are in lawful occupancy of a unit; and
- whose household income is below 80 percent of the median income.

(2) Interior construction for the purpose of converting buildings into condominiums may not commence during the 120-day notice period unless:

- all residential tenants who have not elected to purchase a unit and who are in lawful occupancy in the building have vacated;
- the purpose of the construction is to prepare vacant units to be used as model units or for a sales office; and
- the declarant has offered existing tenants the opportunity to terminate their existing lease or rental agreement without cause or consequence.

Regardless of the circumstance, construction must not violate tenant's right of quiet enjoyment during the 120-day notice period.

The act does not apply to any conversion condominiums for which a legal notice of conversion has been delivered to tenants before the effective date of the act.

Cities and counties planning under the Growth Management Act (GMA) are required to report annually to the Department of Community, Trade and Economic Development (DCTED) on condominium conversions occurring within their jurisdictions using specific performance measure-related data requirements. Information to be reported must include:

- the total number of apartment units converted into condominiums;
- the difference in the monthly rental cost of each formerly rental unit that is converted and the monthly mortgage cost of the condominium unit to which it is converted;
- the number of tenants who elect to purchase a condominium and the number who receive relocation assistance;
- income information for all tenants in units affected by a condominium conversion; and
- the net change in the total number of rental housing units within the jurisdiction which are affordable to low and very-low income households.

EFFECT OF SENATE AMENDMENT(S):

Cities and counties are authorized to require additional relocation assistance be provided to eligible tenants who are elderly or who have special needs. Language clarifies that a city may require that a declarant may only begin construction on interior portions of a building if tenants are allowed to break their lease and even then they may only conduct limited construction activities. Cities and counties are allowed to require declarants to provide conversion notices to the city or county and also may require declarants to provide information the local government needs to fulfill reporting requirements to CTED. The reporting requirements to CTED are reduced and information related to income of tenants and cost of units is struck. To determine eligibility for relocation assistance, a tenant's annual income is used instead of monthly and the effective date of the act is updated to 2008 from 2007.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: The bill takes effect on August 1, 2007.

Staff Summary of Public Testimony:

(In support of original bill) Housing is a basic need and there are a large number of much-needed rental units being converted into condominiums resulting in a loss of valuable rental housing. Displaced renters are having difficulties finding affordable housing given the low vacancy rates. Cities need the authority to limit conversions so that people are not forced out on the streets.

(In support of original bill with suggestions) The notification period should be longer. The Manufactured/Mobile Home Landlord-Tenant Act provides for a notification period of 12

months if a park is closing. There should also be a disclosure in every rental agreement highlighting the possibility that the building could be converted into a condominium development. Tenants should be able to terminate their rental agreements after receiving notification of a condominium conversion. The amount of relocation assistance should be based on some sort of formula using the amount of rent and length of tenancy so this doesn't become a backhanded way for local jurisdictions to impose an effectual moratorium on condominium conversions. The construction wait period should be amended to enable developers to allow tenants to stay in a unit if they wish which could be accomplished by requiring a wait period of 120 days or 12 hours before the last tenant vacates, whichever is earlier.

(Opposed to original bill) There is a need to protect and assist some vulnerable people whose apartments are being converted into condominiums but the majority of renters are able to find new units. The net loss of rental housing is a temporary phenomena, and the rental market will catch up because there is a need for new rental units. Increasing relocation assistance is a good idea however it shouldn't be unlimited. There should be a new monetary cap or perhaps a formula based on three months' rent. Extending the notification time period is also a good idea, but making a developer wait 120 days, or possibly much longer than that, depending upon existing tenant leases, to begin construction is totally unfeasible. Not only is this a financial hardship on the condominium declarant, but most developers are willing to work with tenants if tenants want (or need) to remain in their units as long as possible during the conversion process. With this new language, declarants would be required to vacate the entire property which could consist of several buildings, even if conversion-related construction is just occurring in one limited area such as a parking lot. There are also technical issues that should be addressed, for example, a declarant is required to give every existing tenant a public offering statement which includes disclosures about the condition of the building, however, conditions cannot be evaluated without a declarant having the ability to conduct some exploratory construction activity. There also needs to be some sort of limit on a local jurisdiction's ability to restrict the number of condominium conversions each year so that this restriction doesn't become a complete moratorium. Conversion condominiums are often the best and only option for a first time home buyer and if such affordable homeownership opportunities are not available, renters will continue to rent, thus tying up existing rental stock. Language in this bill will diminish a developer's interest in condominium conversion projects. Local governments should develop assistance programs to encourage and help current apartment tenants become new condominium homeowners.

Persons Testifying: (In support of original bill) Representative Chase, prime sponsor; Brian Hocksford, for Seattle City Councilman Tom Rasmussen; John Fox, Seattle Displacement Coalition; Randi Hansen; Bette Reed, Washington State Coalition of Retired Americans; Sinan Demiral, Seattle/King County Coalition for the Homeless; Bill Kirlen-Hackett, Inter-Faith Task Force on Homelessness; and Gary Provenzano, Columbia Legal Services.

(In support of original bill with suggestions) Ezra Eickmeyer, Pioneer Property Group; Bob Mitchell, Washington Realtors; and Brad Beddall.

(Opposed to original bill) Joe McCarthy, Konlon Taylor McCarthy; Alison Birmingham, Murray Franklin Companies; Chaun Mackey, MCM Real Estate; Doug Nelson, Remax Unlimited; Jamie Goodwin, Foster Pepper Law Firm; Tory Laughlin Taylor, A. F. Evans Development; John Woodring, Rental Housing Association of Puget Sound; Dave Kirzinger and Jasmin Avdic, Mosaic Homes; Jack Hawes, Equity Residential; and Warren Ballard.

Persons Signed In To Testify But Not Testifying: None.