

# HOUSE BILL REPORT

## ESSB 5758

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**As Passed House:**

March 4, 2022

**Title:** An act relating to condominium conversions.

**Brief Description:** Concerning condominium conversions.

**Sponsors:** Senate Committee on Housing & Local Government (originally sponsored by Senators Gildon and Rivers).

**Brief History:**

**Committee Activity:**

Housing, Human Services & Veterans: 2/22/22, 2/24/22 [DP].

**Floor Activity:**

Passed House: 3/4/22, 98-0.

**Brief Summary of Engrossed Substitute Bill**

- Requires the Housing Finance Commission to implement a condominium conversion tenant-to-homeowner program.
- Requires the Affordable Housing Advisory Board (AHAB) to review and report on issues associated with the conversion of multifamily buildings to condominium ownership.
- Expands membership of the AHAB to include a representative of a condominium association or common interest community association.

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**HOUSE COMMITTEE ON HOUSING, HUMAN SERVICES & VETERANS**

**Majority Report:** Do pass. Signed by 9 members: Representatives Peterson, Chair; Taylor, Vice Chair; Gilday, Ranking Minority Member; Barkis, Assistant Ranking Minority Member; Bateman, Chopp, Donaghy, Jacobsen and Leavitt.

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

**Staff:** Serena Dolly (786-7150).

**Background:**

Condominium Conversions.

The Washington Condominium Act (WCA) applies to all condominiums created within the state after July 1, 1990, and through June 30, 2018. The Washington Uniform Common Interest Ownership Act (WUCIOA) applies to all common interest communities, including condominiums, created within the state on or after July 1, 2018. Both the WCA and the WUCIOA require a declarant or dealer who intends to offer units in a conversion condominium or building to provide each of the residential tenants and subtenants a conversion notice and the public offering statement no later than 120 days before the tenants and subtenants are required to vacate. The conversion notice must inform the residential tenants and subtenants of their rights and expressly state whether there is a county or city relocation assistance program in the jurisdiction in which the property is located. If the county or city does have a relocation assistance program, the notice must also provide a summary of the terms and conditions under which relocation assistance is paid and contact information for the relocation assistance program.

A city or county may, by ordinance, require the payment of relocation assistance in an amount not to exceed a sum equal to three months' rent at the time the conversion notice is received to residential tenants or subtenants who:

- do not elect to purchase a unit in the common interest community;
- are in lawful occupancy of a unit in the conversion building; and
- have an annual household income at or below 80 percent of area median income.

Relocation assistance must be paid on or before the date the residential tenant or subtenant vacates and is in addition to any damage deposit or other compensation or refund to which the residential tenant or subtenant is otherwise entitled. Unpaid rent or other amounts owed by the residential tenant or subtenant to the landlord may be offset against the relocation assistance.

Housing Finance Commission.

The Housing Finance Commission (Commission) is a public body created in 1983 to act as a financial conduit which, without using public funds or lending the credit of the state or local government, can issue nonrecourse revenue bonds and participate in federal, state, and local housing programs. The Commission issues both tax-exempt and taxable bonds to provide below market-rate financing to nonprofit and for-profit housing developers who set aside a certain percentage of their units for low-income individuals and families. In addition, the Commission issues tax exempt bonds to provide below market-rate financing for sustainable energy projects, nonprofit facilities, and beginning farmers and ranchers.

Affordable Housing Advisory Board.

The Washington State Affordable Housing Advisory Board (AHAB) advises the

Department of Commerce on housing and housing-related issues. The AHAB has 22 members representing public entities, local governments, housing industries, and other stakeholders. The AHAB's duties include reviewing, evaluating, and making recommendations about existing and proposed housing programs and initiatives.

**Summary of Bill:**

The Commission must implement a condominium conversion tenant-to-homeowner program focused on first-time homeownership. The program must provide homeownership information and resources to tenants in multifamily buildings that are being converted to condominiums. The Commission also must refer tenants to its home loan and down payment assistance programs and any applicable homebuyer education seminars available through local partnerships. The Commission may establish income eligibility requirements for tenants and qualifying purchase price thresholds consistent with requirements of existing Commission programs.

Any declarant or dealer who intends to offer units in a conversion building or condominium must provide a conversion notice to the Commission no later than 120 days before the residential tenants or subtenants must vacate. The declarant or dealer must also inform residential tenants and subtenants about the resources and information available under the condominium conversion tenant-to-homeowner program in the conversion notice provided to tenants and subtenants.

The AHAB is expanded by one member representing a condominium association or common interest community association. The AHAB is directed to review issues associated with the conversion of multifamily buildings to condominium ownership including:

- an assessment of the current housing market and affordability of condominium conversions, especially for first-time homebuyers;
- statutory, regulatory, financial, or other barriers to condominium conversions as a viable source of housing supply for first-time homebuyers;
- impacts to tenants caused by the conversion of multifamily buildings to condominium ownership, and the adequacy of programs and resources for tenant rental relocation and other assistance;
- programs in other states using condominium ownership as a first-time homeownership opportunity, including those focused on employer-specific programs for public service occupations in high-cost areas;
- specific areas in counties subject to the buildable lands review and evaluation program where condominium conversion could provide first-time homebuyer opportunities in proximity to light rail, express bus service, or other forms of mass transit; and
- concerns regarding condominium associations, including board accountability, fee collection, effective communication, representation regarding covenants, lien and foreclosure fairness, and insurance claim impartiality.

In conducting its review, the AHAB must seek input from stakeholders with expertise in both the condominium conversion process and in providing tenant relocation programs and assistance. The AHAB must submit a report on its review to the Legislature by December 1, 2022.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.

**Staff Summary of Public Testimony:**

(In support) Condominiums should serve as a steppingstone from being a renter to a homeowner. Having renters buy their unit is a great way to allow them to lock in payments instead of facing ever increasing rent. Condominium conversions have great potential, but concerns exist about the displacement of renters. This bill balances those issues and asks the AHAB to look at the barriers to condominium homeownership. The Commission will integrate this program into their existing efforts. After receiving notice of a condominium conversion, the Commission will give information to the building owner to distribute directly to the tenants. The Commission will also track the number of inquiries it receives and work with the AHAB.

(Opposed) None.

**Persons Testifying:** Senator Chris Gildon, prime sponsor; Patrick Johansen, RiseUp Washington, Housing Justice Committee; Nick Federici, Washington State Housing Finance Commission; and Bill Clarke, Washington Realtors.

**Persons Signed In To Testify But Not Testifying:** None.