

SENATE BILL REPORT

ESSB 5758

As Passed Senate, February 15, 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 & Local Government: 1/18/22, 1/27/22 [DPS, DNP, w/oRec].

Floor Activity: Passed Senate: 2/15/22, 48-1.

Brief Summary of Engrossed First Substitute Bill

- Requires the Housing Finance Commission to implement a condominium conversion tenant-to-homeowner program focused on opportunities for first-time homeownership and to assist tenants in multifamily buildings that are being converted to condominium ownership.
- Requires the Affordable Housing Advisory Board (AHAB) to review and report on certain issues associated with the conversion of multifamily buildings to condominium ownership.
- Expands membership of AHAB to include a representative of a condominium association or common interest community association.

SENATE COMMITTEE ON HOUSING & LOCAL GOVERNMENT

Majority Report: That Substitute Senate Bill No. 5758 be substituted therefor, and the substitute bill do pass.

Signed by Senators Kuderer, Chair; Das, Vice Chair; Fortunato, Ranking Member;

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.

Gildon, Assistant Ranking Member; Cleveland, Salomon, Sefzik, Warnick and Wilson, J.

Minority Report: Do not pass.
Signed by Senator Trudeau.

Minority Report: That it be referred without recommendation.
Signed by Senator Lovelett.

Staff: Brandon Popovac (786-7465)

Background: Condominium Conversions. The Washington condominium act 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 Washington condominium act and WUCIOA require a declarant or dealer who intends to offer units in a conversion condominium or conversion 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 for residential tenants or subtenants of conversion condominiums or conversion buildings 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 city or county 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 of the residential tenant's or subtenant's 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 finance authority established to act as a conduit to make additional funds available at affordable rates to help provide housing throughout the state. The Commission is financially self-supported and does not receive funding from the state. To provide financing, the Commission may:

- issue bonds;

- make loans to or deposits with mortgage lenders for the purpose of making mortgage loans;
- make loans for down payment assistance to home buyers; and
- participate in federal and other government programs to carry out its purpose.

Affordable Housing Advisory Board. The Washington State Affordable Housing Advisory Board (AHAB) advises the Department of Commerce on housing and housing-related issues. AHAB has 22 members representing a variety of housing interests around the state. Among its duties, AHAB must review, evaluate, and make recommendations regarding existing and proposed housing programs and initiatives including, but not limited to, tax policies, land use policies, and financing programs, as well as provide an annual report detailing its findings and making specific program, legislative, and funding recommendations, and any other recommendations it deems appropriate.

Summary of Engrossed First Substitute Bill: The Commission must implement a condominium conversion tenant-to-homeowner program focused on opportunities for first-time homeownership and to assist tenants in multifamily buildings that are being converted to condominium ownership by providing information and resources relating to homeownership. The Commission must also refer such 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 price thresholds under the program consistent with requirements and thresholds under existing Commission programs.

Any declarant of a conversion condominium, and any dealer who intends to offer units in such a condominium, subject to the requirements of a condominium association created under the Washington condominium act, must provide a conversion notice to the Commission no later than 120 days before the residential tenants or subtenants in possession of a portion of the conversion condominium must vacate. Such a declarant and dealer must also inform residential tenants and subtenants about the resources and information available under the condominium conversion tenant-to-homeowner program within the conversion notice provided to such tenants and subtenants.

Any declarant or dealer who intends to offer units in a conversion building, subject to the requirements of a common interest community created under WUCIOA, must provide a conversion notice to the Commission no later than 120 days before the residential tenants or subtenants in possession of a portion of the conversion building must vacate. Such a declarant or dealer must also inform residential tenants and subtenants about the resources and information available under the condominium conversion tenant-to-homeowner program within the conversion notice provided to such tenants and subtenants.

AHAB must review issues associated with the conversion of multifamily buildings to condominium ownership and include:

- an assessment of the current housing market and affordability of condominium

- conversions, especially for first-time home buyers;
- statutory, regulatory, financial, or other barriers to condominium conversions as a viable source of housing supply for first-time home buyers;
- 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 certain 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 home buyer opportunities close to light rail, express bus service, or other forms of mass transit; and
- condominium association concerns, including board accountability, fee collection, effective communication, representation regarding covenants, lien and foreclosure fairness, and insurance claim impartiality.

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

The membership of AHAB is expanded to include one representative from a condominium association or community interest community association.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony on Original Bill: *The committee recommended a different version of the bill than what was heard.* PRO: We have a severe shortage of affordable housing while housing prices have soared, forcing some households to give up the dream of homeownership. The bill addresses hurdles for entry into homeownership. Condominiums can be affordable and attainable. Real estate practitioners do not have the condominium product to sell to first-time home buyers. Condominium ownership is now a sign of wealth and more common in luxury high rises. Condominium conversions can provide more affordable homeownership stock while not displacing tenants. A right of first refusal should be provided to tenants in converted multifamily buildings. Condominiums can provide protections like owner occupancy requirements and rental caps to make them more affordable.

CON: There is a lack of protections for renters transitioning to condominium ownership. Conversions remove much needed rental housing stock. The bill fails to address mandatory unit inspections or sale disclosures to certain buyers. Membership in condominium associations could negatively impact the lives of new owners by limiting freedom of speech and other constitutional rights. Government should offer more protections with condominium conversions and a potential risk of foreclosure. Condominium associations may subject owners to share high litigation costs. Most new homeowners are not aware of or understand homeowners' association laws. The Commission should include condominium research and stakeholders in new program.

OTHER: The Commission has not met with the prime sponsor to ask a few questions and explore providing more homeownership opportunities when buildings are being converted to condominiums.

Persons Testifying: PRO: Senator Chris Gildon, Prime Sponsor; Michael Orbino, WA REALTORS.

CON: Raelene Schifano, HOA Fightclub, Nonprofit; Patrick Johansen, RiseUpWA, Housing Justice Committee.

OTHER: Steve Walker, Washington State Housing Finance Commission.

Persons Signed In To Testify But Not Testifying: No one.