
SUBSTITUTE HOUSE BILL 1471

State of Washington

54th Legislature

1995 Regular Session

By House Committee on Law & Justice (originally sponsored by Representatives Padden and Appelwick)

Read first time 02/17/95.

1 AN ACT Relating to homeowners' associations; and adding a new
2 chapter to Title 64 RCW.

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

4 NEW SECTION. **Sec. 1.** The intent of this chapter is to provide
5 consistent laws regarding the formation and legal administration of
6 homeowners' associations.

7 NEW SECTION. **Sec. 2.** For purposes of this chapter:

8 (1) "Homeowners' association" or "association" means a corporation,
9 each member of which is an owner of real property located within the
10 association boundaries and by virtue of membership or ownership of
11 property is obligated to pay real property taxes, insurance premiums,
12 maintenance costs, or for improvement of real property other than that
13 which is owned by the member. "Homeowners' association" does not mean
14 an association created under chapter 64.32 or 64.34 RCW.

15 (2) "Governing documents" means the articles of incorporation, the
16 bylaws, covenants, conditions, restrictions, and the rules and
17 regulations of the association.

1 NEW SECTION. **Sec. 3.** The membership of an association at all
2 times shall consist exclusively of the owners of all real property over
3 which the association has jurisdiction, both developed and undeveloped.

4 NEW SECTION. **Sec. 4.** An association may:

5 (1) Adopt and amend bylaws, rules, and regulations;

6 (2) Adopt and amend budgets for revenues, expenditures, and
7 reserves, and impose and collect assessments for common expenses from
8 owners;

9 (3) Hire and discharge or contract with managing agents and other
10 employees, agents, and independent contractors;

11 (4) Institute, defend, or intervene in litigation or administrative
12 proceedings in its own name on behalf of itself or two or more unit
13 owners on matters affecting the homeowners' association;

14 (5) Make contracts and incur liabilities;

15 (6) Regulate the use, maintenance, repair, replacement, and
16 modification of common areas;

17 (7) Cause additional improvements to be made as a part of the
18 common areas;

19 (8) Acquire, hold, encumber, and convey in its own name any right,
20 title, or interest to real or personal property;

21 (9) Grant easements, leases, licenses, and concessions through or
22 over the common areas and petition for or consent to the vacation of
23 streets and alleys;

24 (10) Impose and collect any payments, fees, or charges for the use,
25 rental, or operation of the common areas;

26 (11) Impose and collect charges for late payments of assessments
27 and, after notice and an opportunity to be heard by the board of
28 directors or by the representative designated by the board of directors
29 and in accordance with the procedures as provided in the bylaws or
30 rules and regulations adopted by the board of directors, levy
31 reasonable fines in accordance with a previously established schedule
32 adopted by the board of directors and furnished to the owners for
33 violation of the bylaws, rules, and regulations of the association;

34 (12) Exercise any other powers conferred by the bylaws;

35 (13) Exercise all other powers that may be exercised in this state
36 by the same type of corporation as the association; and

37 (14) Exercise any other powers necessary and proper for the
38 governance and operation of the association.

1 NEW SECTION. **Sec. 5.** (1) Except as provided in the association's
2 governing documents or this chapter, the board of directors shall act
3 in all instances on behalf of the association. In the performance of
4 their duties, the officers and members of the board of directors shall
5 exercise the degree of care and loyalty required of an officer or
6 director of a corporation organized under chapter 24.03 RCW.

7 (2) The board of directors shall not act on behalf of the
8 association to amend the articles of incorporation, to take any action
9 that requires the vote or approval of the owners, to terminate the
10 association, to elect members of the board of directors, or to
11 determine the qualifications, powers, and duties, or terms of office of
12 members of the board of directors; but the board of directors may fill
13 vacancies in its membership of the unexpired portion of any term.

14 (3) Within thirty days after adoption of any proposed regular or
15 special budget of the association, the board of directors shall set a
16 date for a meeting of the owners to consider ratification of the budget
17 not less than fourteen nor more than sixty days after mailing of the
18 summary. Unless at that meeting the owners of units to which a
19 majority of the votes in the association are allocated or any larger
20 percentage specified in the governing documents reject the budget, the
21 budget is ratified, whether or not a quorum is present. In the event
22 the proposed budget is rejected or the required notice is not given,
23 the periodic budget last ratified by the owners shall be continued
24 until such time as the owners ratify a subsequent budget proposed by
25 the board of directors.

26 (4) The owners by a majority vote of the voting power in the
27 association present and entitled to vote at any meeting of the unit
28 owners at which a quorum is present, may remove any member of the board
29 of directors with or without cause.

30 NEW SECTION. **Sec. 6.** Unless provided for in the governing
31 documents, the bylaws of the association shall provide for:

32 (1) The number, qualifications, powers and duties, terms of office,
33 and manner of electing and removing the board of directors and officers
34 and filling vacancies;

35 (2) Election by the board of directors of the officers of the
36 association as the bylaws specify;

37 (3) Which, if any, of its powers the board of directors or officers
38 may delegate to other persons or to a managing agent;

- 1 (4) Which of its officers may prepare, execute, certify, and record
2 amendments to the governing documents on behalf of the association;
3 (5) The method of amending the bylaws; and
4 (6) Subject to the provisions of the governing documents, any other
5 matters the association deems necessary and appropriate.

6 NEW SECTION. **Sec. 7.** (1) A meeting of the association must be
7 held at least once each year. Special meetings of the association may
8 be called by the president, a majority of the board of directors, or by
9 owners having ten percent of the votes in the association. Not less
10 than ten nor more than sixty days in advance of any meeting, the
11 secretary or other officers specified in the bylaws shall cause notice
12 to be hand-delivered or sent prepaid by first class United States mail
13 to the mailing address of each owner or to any other mailing address
14 designated in writing by the owner. The notice of any meeting shall
15 state the time and place of the meeting and the business to be placed
16 on the agenda by the board of directors for a vote by the owners,
17 including the general nature of any proposed amendment to the articles
18 of incorporation, bylaws, any budget or changes in the previously
19 approved budget that result in a change in assessment obligation, and
20 any proposal to remove a director.

21 (2) Except as otherwise provided in the articles of incorporation,
22 this subsection shall apply to all meetings of the board of directors.
23 Except as provided in this subsection, all meetings of the board of
24 directors shall be open for observation by all owners of record and
25 their authorized agents. The board of directors shall keep minutes of
26 all actions taken by the board, which shall be available to all owners.
27 Upon the affirmative vote in open meeting to assemble in closed
28 session, the board of directors may convene in closed executive session
29 to consider personnel matters; consult with legal counsel or consider
30 communications with legal counsel; and discuss and consider likely or
31 pending litigation, matters involving possible violations of the
32 governing documents of the association, and matters involving the
33 possible liability of an owner to the association. The motion shall
34 state specifically the purpose for the closed session. Reference to
35 the motion and the stated purpose for the closed session shall be
36 included in the minutes. The board of directors shall restrict the
37 consideration of matters during the closed portions of meetings only to
38 those purposes specifically exempted and stated in the motion. No

1 motion, or other action adopted, passed, or agreed to in closed session
2 may become effective unless the board of directors, following the
3 closed session, reconvenes in open meeting and votes in the open
4 meeting on such motion, or other action which is reasonably identified.
5 The requirements of this subsection shall not require the disclosure of
6 information in violation of law or which is otherwise exempt from
7 disclosure.

8 NEW SECTION. **Sec. 8.** Unless the governing documents specify a
9 different percentage, a quorum is present throughout any meeting of the
10 association if the owners to which thirty-four percent of the votes of
11 the association are allocated are present in person or by proxy at the
12 beginning of the meeting.

13 NEW SECTION. **Sec. 9.** Unless otherwise provided in the governing
14 documents, any surplus funds of the association remaining after payment
15 of or provision for common expenses and any provision for reserves
16 shall, in the discretion of the board of directors, either be paid to
17 the owners in proportion to their common expense liabilities or
18 credited to them to reduce their future common expense assessments.

19 NEW SECTION. **Sec. 10.** (1) The association or its managing agent
20 shall keep financial and other records sufficiently detailed to enable
21 the association to fully declare to each owner the true statement of
22 its financial status. All financial and other records of the
23 association, including but not limited to checks, bank records, and
24 invoices, in whatever form they are kept, are the property of the
25 association. Each association managing agent shall turn over all
26 original books and records to the association immediately upon
27 termination of the management relationship with the association, or
28 upon such other demand as is made by the board of directors. An
29 association managing agent is entitled to keep copies of association
30 records. All records which the managing agent has turned over to the
31 association shall be made reasonably available for the examination and
32 copying by the managing agent.

33 (2) All records of the association, including the names and
34 addresses of owners and other occupants of the lots, shall be available
35 for examination by all owners, holders of mortgages on the lots, and
36 their respective authorized agents on reasonable advance notice during

1 normal working hours at the offices of the association or its managing
2 agent. The association shall not release the unlisted telephone number
3 of any owner. The association may impose and collect a reasonable
4 charge for copies and any reasonable costs incurred by the association
5 in providing access to records.

6 (3) At least annually, the association shall prepare, or cause to
7 be prepared, a financial statement of the association in accordance
8 with generally accepted accounting principles. The financial
9 statements of associations with an annual budget of fifty thousand
10 dollars or more shall be audited at least annually by a certified
11 public accountant, but the audit may be waived if sixty-seven percent
12 of the votes cast by owners, at a meeting of the association at which
13 a quorum is present, vote each year to waive the audit.

14 (4) The funds of the association shall be kept in accounts in the
15 name of the association and shall not be commingled with the funds of
16 any other association, nor with the funds of any manager of the
17 association or any other person responsible for the custody of such
18 funds.

19 NEW SECTION. **Sec. 11.** Sections 1 through 10 of this act
20 constitute a new chapter in Title 64 RCW.

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