

CERTIFICATION OF ENROLLMENT

SUBSTITUTE SENATE BILL 6175

65th Legislature
2018 Regular Session

Passed by the Senate March 6, 2018
Yeas 38 Nays 11

President of the Senate

Passed by the House March 1, 2018
Yeas 56 Nays 41

Speaker of the House of Representatives

Approved

Governor of the State of Washington

CERTIFICATE

I, Brad Hendrickson, Secretary of the Senate of the State of Washington, do hereby certify that the attached is **SUBSTITUTE SENATE BILL 6175** as passed by Senate and the House of Representatives on the dates hereon set forth.

Secretary

FILED

**Secretary of State
State of Washington**

SUBSTITUTE SENATE BILL 6175

AS AMENDED BY THE HOUSE

Passed Legislature - 2018 Regular Session

State of Washington 65th Legislature 2018 Regular Session

By Senate Financial Institutions & Insurance (originally sponsored by Senators Pedersen, Rivers, and Mullet; by request of Uniform Law Commission)

READ FIRST TIME 02/02/18.

1 AN ACT Relating to the Washington uniform common interest
2 ownership act; amending RCW 6.13.080; adding a new section to chapter
3 59.18 RCW; adding a new section to chapter 64.32 RCW; adding a new
4 section to chapter 64.34 RCW; adding a new section to chapter 64.38
5 RCW; adding a new chapter to Title 64 RCW; and providing an effective
6 date.

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

8 **I. DEFINITIONS, APPLICABILITY, AND OTHER GENERAL PROVISIONS**

9 NEW SECTION. **Sec. 101.** SHORT TITLE. This chapter may be known
10 and cited as the Washington uniform common interest ownership act.

11 NEW SECTION. **Sec. 102.** DEFINITIONS. The definitions in this
12 section apply throughout this chapter unless the context clearly
13 requires otherwise.

14 (1) "Affiliate of a declarant" means any person who controls, is
15 controlled by, or is under common control with a declarant. For
16 purposes of this subsection:

17 (a) A person controls a declarant if the person:

18 (i) Is a general partner, managing member, officer, director, or
19 employer of the declarant;

1 (ii) Directly or indirectly or acting in concert with one or more
2 other persons, or through one or more subsidiaries, owns, controls,
3 holds with power to vote, or holds proxies representing more than
4 twenty percent of the voting interest in the declarant;

5 (iii) Controls in any manner the election or appointment of a
6 majority of the directors, managing members, or general partners of
7 the declarant; or

8 (iv) Has contributed more than twenty percent of the capital of
9 the declarant.

10 (b) A person is controlled by a declarant if the declarant:

11 (i) Is a general partner, managing member, officer, director, or
12 employer of the person;

13 (ii) Directly or indirectly or acting in concert with one or more
14 other persons, or through one or more subsidiaries, owns, controls,
15 holds with power to vote, or holds proxies representing more than
16 twenty percent of the voting interest in the person;

17 (iii) Controls in any manner the election or appointment of a
18 majority of the directors, managing members, or general partners of
19 the person; or

20 (iv) Has contributed more than twenty percent of the capital of
21 the person.

22 (c) Control does not exist if the powers described in this
23 subsection (1) are held solely as security for an obligation and are
24 not exercised.

25 (2) "Allocated interests" means the following interests allocated
26 to each unit:

27 (a) In a condominium, the undivided interest in the common
28 elements, the common expense liability, and votes in the association;

29 (b) In a cooperative, the common expense liability, the ownership
30 interest, and votes in the association; and

31 (c) In a plat community and miscellaneous community, the common
32 expense liability and the votes in the association, and also the
33 undivided interest in the common elements if owned in common by the
34 unit owners rather than an association.

35 (3) "Assessment" means all sums chargeable by the association
36 against a unit, including any assessments levied pursuant to section
37 317 of this act, fines or fees levied or imposed by the association
38 pursuant to this chapter or the governing documents, interest and
39 late charges on any delinquent account, and all costs of collection

1 incurred by the association in connection with the collection of a
2 delinquent owner's account, including reasonable attorneys' fees.

3 (4) "Association" or "unit owners association" means the unit
4 owners association organized under section 301 of this act and, to
5 the extent necessary to construe sections of this chapter made
6 applicable to common interest communities pursuant to section 117,
7 119, or 120 of this act, the association organized or created to
8 administer such common interest communities.

9 (5) "Ballot" means a record designed to cast or register a vote
10 or consent in a form provided or accepted by the association.

11 (6) "Board" means the body, regardless of name, designated in the
12 declaration, map, or organizational documents, with primary authority
13 to manage the affairs of the association.

14 (7) "Common elements" means:

15 (a) In a condominium or cooperative, all portions of the common
16 interest community other than the units;

17 (b) In a plat community or miscellaneous community, any real
18 estate other than a unit within a plat community or miscellaneous
19 community that is owned or leased either by the association or in
20 common by the unit owners rather than an association; and

21 (c) In all common interest communities, any other interests in
22 real estate for the benefit of any unit owners that are subject to
23 the declaration.

24 (8) "Common expense" means any expense of the association,
25 including allocations to reserves, allocated to all of the unit
26 owners in accordance with common expense liability.

27 (9) "Common expense liability" means the liability for common
28 expenses allocated to each unit pursuant to section 208 of this act.

29 (10) "Common interest community" means real estate described in a
30 declaration with respect to which a person, by virtue of the person's
31 ownership of a unit, is obligated to pay for a share of real estate
32 taxes, insurance premiums, maintenance, or improvement of, or
33 services or other expenses related to, common elements, other units,
34 or other real estate described in the declaration. "Common interest
35 community" does not include an arrangement described in section 123
36 or 124 of this act. A common interest community may be a part of
37 another common interest community.

38 (11) "Condominium" means a common interest community in which
39 portions of the real estate are designated for separate ownership and
40 the remainder of the real estate is designated for common ownership

1 solely by the owners of those portions. A common interest community
2 is not a condominium unless the undivided interests in the common
3 elements are vested in the unit owners.

4 (12) "Condominium notice" means the notice given to tenants
5 pursuant to subsection (13)(c) of this section.

6 (13)(a) "Conversion building" means a building:

7 (i) That at any time before creation of the common interest
8 community was lawfully occupied wholly or partially by a tenant or
9 subtenant for residential purposes pursuant to a rental agreement,
10 oral or written, express or implied, who did not receive a
11 condominium notice prior to entering into the rental agreement or
12 lawfully taking occupancy, whichever event occurred first; or

13 (ii) That at any time within the twelve months preceding the
14 first acceptance of an agreement with the declarant to convey, or the
15 first conveyance of, any unit in the building, whichever event
16 occurred first, to any person who was not a declarant or dealer, or
17 affiliate of a declarant or dealer, was lawfully occupied wholly or
18 partially by a tenant or subtenant for residential purposes pursuant
19 to a rental agreement, oral or written, express or implied, who did
20 not receive a condominium notice prior to entering into the rental
21 agreement or lawfully taking occupancy, whichever event occurred
22 first.

23 (b) A building in a common interest community is a conversion
24 building only if:

25 (i) The building contains more than two attached dwelling units
26 as defined in RCW 64.55.010(1); and

27 (ii) Acceptance of an agreement to convey, or conveyance of, any
28 unit in the building to any person who was not a declarant or dealer,
29 or affiliate of a declarant or dealer, did not occur prior to the
30 effective date of this section.

31 (c) The notice referred to in (a)(i) and (ii) of this subsection
32 must be in writing and must state: "The unit you will be occupying
33 is, or may become, part of a common interest community and subject to
34 sale."

35 (14) "Convey" or "conveyance" means, with respect to a unit, any
36 transfer of ownership of the unit, including a transfer by deed or by
37 real estate contract and, with respect to a unit in a leasehold
38 common interest community or a proprietary lease in a cooperative, a
39 transfer by lease or assignment of the unit, but does not include the
40 creation, transfer, or release of a security interest.

1 (15) "Cooperative" means a common interest community in which the
2 real estate is owned by an association, each member of which is
3 entitled by virtue of the member's ownership interest in the
4 association and by a proprietary lease to exclusive possession of a
5 unit.

6 (16) "Dealer" means a person who, together with such person's
7 affiliates, owns or has a right to acquire either six or more units
8 in a common interest community or fifty percent or more of the units
9 in a common interest community containing more than two units.

10 (17) "Declarant" means:

11 (a) Any person who executes as declarant a declaration;

12 (b) Any person who reserves any special declarant right in a
13 declaration;

14 (c) Any person who exercises special declarant rights or to whom
15 special declarant rights are transferred of record. The holding or
16 exercise of rights to maintain sales offices, signs advertising the
17 common interest community, and models, and related right of access,
18 does not confer the status of being a declarant; or

19 (d) Any person who is the owner of a fee interest in the real
20 estate that is subjected to the declaration at the time of the
21 recording of an instrument pursuant to section 306 of this act and
22 who directly or through one or more affiliates is materially involved
23 in the construction, marketing, or sale of units in the common
24 interest community created by the recording of the instrument.

25 (18) "Declarant control" means the right of the declarant or
26 persons designated by the declarant to appoint or remove any officer
27 or board member of the association or to veto or approve a proposed
28 action of any board or association, pursuant to section 304(1)(a) of
29 this act.

30 (19) "Declaration" means the instrument, however denominated,
31 that creates a common interest community, including any amendments to
32 the instrument.

33 (20) "Development rights" means any right or combination of
34 rights reserved by a declarant in the declaration to:

35 (a) Add real estate or improvements to a common interest
36 community;

37 (b) Create units, common elements, or limited common elements
38 within a common interest community;

39 (c) Subdivide or combine units or convert units into common
40 elements;

1 (d) Withdraw real estate from a common interest community; or

2 (e) Reallocate limited common elements with respect to units that
3 have not been conveyed by the declarant.

4 (21) "Effective age" means the difference between the useful life
5 and remaining useful life.

6 (22) "Electronic transmission" or "electronically transmitted"
7 means any electronic communication (a) not directly involving the
8 physical transfer of a record in a tangible medium and (b) that may
9 be retained, retrieved, and reviewed by the sender and the recipient
10 of the communication, and that may be directly reproduced in a
11 tangible medium by a sender and recipient.

12 (23) "Eligible mortgagee" means the holder of a security interest
13 on a unit that has filed with the secretary of the association a
14 written request that it be given copies of notices of any action by
15 the association that requires the consent of mortgagees.

16 (24) "Foreclosure" means a statutory forfeiture or a judicial or
17 nonjudicial foreclosure of a security interest or a deed or other
18 conveyance in lieu of a security interest.

19 (25) "Full funding plan" means a reserve funding goal of
20 achieving one hundred percent fully funded reserves by the end of the
21 thirty-year study period described under section 331 of this act, in
22 which the reserve account balance equals the sum of the estimated
23 costs required to maintain, repair, or replace the deteriorated
24 portions of all reserve components.

25 (26) "Fully funded balance" means the current value of the
26 deteriorated portion, not the total replacement value, of all the
27 reserve components. The fully funded balance for each reserve
28 component is calculated by multiplying the current replacement cost
29 of that reserve component by its effective age, then dividing the
30 result by that reserve component's useful life. The sum total of all
31 reserve components' fully funded balances is the association's fully
32 funded balance.

33 (27) "Governing documents" means the organizational documents,
34 map, declaration, rules, or other written instrument by which the
35 association has the authority to exercise any of the powers provided
36 for in this chapter or to manage, maintain, or otherwise affect the
37 property under its jurisdiction.

38 (28) "Identifying number" means a symbol or address that
39 identifies only one unit or limited common element in a common
40 interest community.

1 (29) "Leasehold common interest community" means a common
2 interest community in which all or a portion of the real estate is
3 subject to a lease the expiration or termination of which will
4 terminate the common interest community or reduce its size.

5 (30) "Limited common element" means a portion of the common
6 elements allocated by the declaration or by operation of section 203
7 (1)(b) or (2) of this act for the exclusive use of one or more, but
8 fewer than all, of the unit owners.

9 (31) "Map" means: (a) With respect to a plat community, the plat
10 as defined in RCW 58.17.020 and complying with the requirements of
11 Title 58 RCW, and (b) with respect to a condominium, cooperative, or
12 miscellaneous community, a map prepared in accordance with the
13 requirements of section 210 of this act.

14 (32) "Master association" means an organization described in
15 section 221 of this act, whether or not it is also an association
16 described in section 301 of this act.

17 (33) "Miscellaneous community" means a common interest community
18 in which units are lawfully created in a manner not inconsistent with
19 chapter 58.17 RCW and that is not a condominium, cooperative, or plat
20 community.

21 (34) "Nominal reserve costs" means that the current estimated
22 total replacement costs of the reserve components are less than fifty
23 percent of the annual budgeted expenses of the association, excluding
24 contributions to the reserve fund, for a condominium or cooperative
25 containing horizontal unit boundaries, and less than seventy-five
26 percent of the annual budgeted expenses of the association, excluding
27 contributions to the reserve fund, for all other common interest
28 communities.

29 (35) "Organizational documents" means the instruments filed with
30 the secretary of state to create an entity and the instruments
31 governing the internal affairs of the entity including, but not
32 limited to, any articles of incorporation, certificate of formation,
33 bylaws, and limited liability company or partnership agreement.

34 (36) "Person" means an individual, corporation, business trust,
35 estate, the trustee or beneficiary of a trust that is not a business
36 trust, partnership, limited liability company, association, joint
37 venture, public corporation, government, or governmental subdivision,
38 agency, or instrumentality, or any other legal entity.

39 (37) "Plat community" means a common interest community in which
40 units have been created by subdivision or short subdivision as both

1 are defined in RCW 58.17.020 and in which the boundaries of units are
2 established pursuant to chapter 58.17 RCW.

3 (38) "Proprietary lease" means a written and recordable lease
4 that is executed and acknowledged by the association as lessor and
5 that otherwise complies with requirements applicable to a residential
6 lease of more than one year and pursuant to which a member is
7 entitled to exclusive possession of a unit in a cooperative. A
8 proprietary lease governed under this chapter is not subject to
9 chapter 59.18 RCW except as provided in the declaration.

10 (39) "Purchaser" means a person, other than a declarant or a
11 dealer, which by means of a voluntary transfer acquires a legal or
12 equitable interest in a unit other than as security for an
13 obligation.

14 (40) "Qualified financial institution" means a bank, savings
15 association, or credit union whose deposits are insured by the
16 federal government.

17 (41) "Real estate" means any leasehold or other estate or
18 interest in, over, or under land, including structures, fixtures, and
19 other improvements and interests that by custom, usage, or law pass
20 with a conveyance of land though not described in the contract of
21 sale or instrument of conveyance. "Real estate" includes parcels with
22 or without upper or lower boundaries and spaces that may be filled
23 with air or water.

24 (42) "Real estate contract" has the same meaning as defined in
25 RCW 61.30.010.

26 (43) "Record," when used as a noun, means information inscribed
27 on a tangible medium or contained in an electronic transmission.

28 (44) "Remaining useful life" means the estimated time, in years,
29 before a reserve component will require major maintenance, repair, or
30 replacement to perform its intended function.

31 (45) "Replacement cost" means the estimated total cost to
32 maintain, repair, or replace a reserve component to its original
33 functional condition.

34 (46) "Reserve component" means a physical component of the common
35 interest community which the association is obligated to maintain,
36 repair, or replace, which has an estimated useful life of less than
37 thirty years, and for which the cost of such maintenance, repair, or
38 replacement is infrequent, significant, and impractical to include in
39 an annual budget.

1 (47) "Reserve study professional" means an independent person who
2 is suitably qualified by knowledge, skill, experience, training, or
3 education to prepare a reserve study in accordance with sections 330
4 and 331 of this act. For the purposes of this subsection,
5 "independent" means a person who is not an employee, officer, or
6 director, and has no pecuniary interest in the declarant,
7 association, or any other party for whom the reserve study is
8 prepared.

9 (48) "Residential purposes" means use for dwelling or
10 recreational purposes, or both.

11 (49) "Rule" means a policy, guideline, restriction, procedure, or
12 regulation of an association, however denominated, that is not set
13 forth in the declaration or organizational documents and governs the
14 conduct of persons or the use or appearance of property.

15 (50) "Security interest" means an interest in real estate or
16 personal property, created by contract or conveyance that secures
17 payment or performance of an obligation. "Security interest" includes
18 a lien created by a mortgage, deed of trust, real estate contract,
19 lease intended as security, assignment of lease or rents intended as
20 security, pledge of an ownership interest in an association, and any
21 other consensual lien or title retention contract intended as
22 security for an obligation.

23 (51) "Special declarant rights" means rights reserved for the
24 benefit of a declarant to:

25 (a) Complete any improvements indicated on the map or described
26 in the declaration or the public offering statement pursuant to
27 section 403(1)(h) of this act;

28 (b) Exercise any development right;

29 (c) Maintain sales offices, management offices, signs advertising
30 the common interest community, and models;

31 (d) Use easements through the common elements for the purpose of
32 making improvements within the common interest community or within
33 real estate that may be added to the common interest community;

34 (e) Make the common interest community subject to a master
35 association;

36 (f) Merge or consolidate a common interest community with another
37 common interest community of the same form of ownership;

38 (g) Appoint or remove any officer or board member of the
39 association or any master association or to veto or approve a

1 proposed action of any board or association, pursuant to section
2 304(1) of this act;

3 (h) Control any construction, design review, or aesthetic
4 standards committee or process;

5 (i) Attend meetings of the unit owners and, except during an
6 executive session, the board;

7 (j) Have access to the records of the association to the same
8 extent as a unit owner.

9 (52) "Specially allocated expense" means any expense of the
10 association, including allocations to reserves, allocated to some or
11 all of the unit owners pursuant to section 317 (4) through (8) of
12 this act.

13 (53) "Survey" has the same meaning as defined in RCW 58.09.020.

14 (54) "Tangible medium" means a writing, copy of a writing,
15 facsimile, or a physical reproduction, each on paper or on other
16 tangible material.

17 (55) "Timeshare" has the same meaning as defined in RCW
18 64.36.010.

19 (56) "Transition meeting" means the meeting held pursuant to
20 section 304(4) of this act.

21 (57)(a) "Unit" means a physical portion of the common interest
22 community designated for separate ownership or occupancy, the
23 boundaries of which are described pursuant to section 206(1)(d) of
24 this act.

25 (b) If a unit in a cooperative is owned by a unit owner or is
26 sold, conveyed, voluntarily or involuntarily encumbered, or otherwise
27 transferred by a unit owner, the interest in that unit that is owned,
28 sold, conveyed, encumbered, or otherwise transferred is the right to
29 possession of that unit under a proprietary lease, coupled with the
30 allocated interests of that unit, and the association's interest in
31 that unit is not affected.

32 (c) Except as provided in the declaration, a mobile home or
33 manufactured home for which title has been eliminated pursuant to
34 chapter 65.20 RCW is part of the unit described in the title
35 elimination documents.

36 (58)(a) "Unit owner" means (i) a declarant or other person that
37 owns a unit or (ii) a lessee of a unit in a leasehold common interest
38 community whose lease expires simultaneously with any lease the
39 expiration or termination of which will remove the unit from the

1 common interest community, but does not include a person having an
2 interest in a unit solely as security for an obligation.

3 (b) "Unit owner" also means the vendee, not the vendor, of a unit
4 under a recorded real estate contract.

5 (c) In a condominium, plat community, or miscellaneous community,
6 the declarant is the unit owner of any unit created by the
7 declaration. In a cooperative, the declarant is treated as the unit
8 owner of any unit to which allocated interests have been allocated
9 until that unit has been conveyed to another person.

10 (59) "Useful life" means the estimated time during which a
11 reserve component is expected to perform its intended function
12 without major maintenance, repair, or replacement.

13 (60) "Writing" does not include an electronic transmission.

14 (61) "Written" means embodied in a tangible medium.

15 NEW SECTION. **Sec. 103.** NO VARIATION BY AGREEMENT. Except as
16 expressly provided in this chapter, the effect of the provisions of
17 this chapter may not be varied by agreement, and rights conferred by
18 this chapter may not be waived. Except as provided otherwise in
19 section 123 of this act, a declarant may not act under a power of
20 attorney, or use any other device, to evade the limitations or
21 prohibitions of this chapter or the declaration.

22 NEW SECTION. **Sec. 104.** SEPARATE TITLES AND TAXATION. (1) In a
23 cooperative, unless the declaration provides that a unit owner's
24 interest in a unit and its allocated interests is real estate for all
25 purposes, that interest is personal property.

26 (2) In a condominium, plat community, or miscellaneous community,
27 if there is any unit owner other than a declarant:

28 (a) Each unit that has been created, together with its interest
29 in the common elements, constitutes for all purposes a separate
30 parcel of real estate; and

31 (b) Each unit together with its interest in the common elements
32 must be separately taxed and assessed.

33 (3) If a development right has an ascertainable market value, the
34 development right constitutes a separate parcel of real estate for
35 property tax purposes and must be separately taxed and assessed to
36 the declarant, and the declarant alone is liable for payment of those
37 taxes.

1 (4) If there is no unit owner other than a declarant, the real
2 estate comprising the common interest community may be taxed and
3 assessed in any manner provided by law.

4 NEW SECTION. **Sec. 105.** APPLICABILITY OF LOCAL ORDINANCES,
5 REGULATIONS, AND BUILDING CODES. (1) A building, fire, health, or
6 safety statute, ordinance, or regulation may not impose any
7 requirement upon any structure in a common interest community that it
8 would not impose upon a physically identical development under a
9 different form of ownership.

10 (2) A zoning, subdivision, or other land use statute, ordinance,
11 or regulation may not prohibit the condominium or cooperative form of
12 ownership or impose any requirement upon a condominium or cooperative
13 that it would not impose upon a physically identical development
14 under a different form of ownership.

15 (3) Chapter 58.17 RCW does not apply to the creation of a
16 condominium or a cooperative. This chapter must not be construed to
17 permit the creation of a condominium or cooperative on a lot, tract,
18 or parcel of land that could not be sold or transferred without
19 violating chapter 58.17 RCW.

20 (4) Except as provided in subsections (1), (2), and (3) of this
21 section, this chapter does not invalidate or modify any provision of
22 any building, zoning, subdivision, or other statute, ordinance, rule,
23 or regulation governing the use of real estate.

24 (5) This section does not prohibit a county legislative authority
25 from requiring the review and approval of declarations and amendments
26 to declarations and of termination agreements executed pursuant to
27 section 219(2) of this act by the county assessor solely for the
28 purpose of allocating the assessed value and property taxes. The
29 review by the assessor must be done in a reasonable and timely
30 manner.

31 NEW SECTION. **Sec. 106.** EMINENT DOMAIN. (1) If a unit is
32 acquired by condemnation or part of a unit is acquired by
33 condemnation leaving the unit owner with a remnant that may not
34 practically or lawfully be used for any purpose permitted by the
35 declaration, the award must include compensation to the unit owner
36 for that unit and its allocated interests, whether or not any common
37 elements are acquired. Upon acquisition, unless the decree otherwise
38 provides, that unit's allocated interests are automatically

1 reallocated to the remaining units in proportion to the respective
2 allocated interests of those units before the taking, and the
3 association must promptly prepare, execute, and record an amendment
4 to the declaration reflecting the reallocations. Any remnant of a
5 unit remaining after part of a unit is taken under this subsection is
6 thereafter a common element.

7 (2) Except as provided in subsection (1) of this section, if part
8 of a unit is acquired by condemnation, the award must compensate the
9 unit owner for the reduction in value of the unit and its interest in
10 the common elements, whether or not any common elements are acquired.
11 Upon acquisition, unless the decree provides otherwise:

12 (a) That unit's allocated interests are reduced in proportion to
13 the reduction in the size of the unit, or on any other basis
14 specified in the declaration; and

15 (b) The portion of the allocated interests divested from the
16 partially acquired unit are automatically reallocated to that unit
17 and to the remaining units in proportion to the respective allocated
18 interests of those units before the taking, with the partially
19 acquired unit participating in the reallocation on the basis of its
20 reduced allocated interests.

21 (3)(a) If part of the common elements is acquired by
22 condemnation, the portion of the award attributable to the common
23 elements taken must be paid to the association. A court may award
24 damages to a unit owner or owners for particular damage to the
25 owner's units arising from condemnation.

26 (b) Unless the declaration or the decree provides otherwise, any
27 portion of the award attributable to the acquisition of a limited
28 common element must be equally divided among the owners of the units
29 to which that limited common element was allocated at the time of
30 acquisition.

31 (4) The decree must be recorded in every county in which any
32 portion of the common interest community is located.

33 NEW SECTION. **Sec. 107.** SUPPLEMENTAL GENERAL PRINCIPLES OF LAW
34 APPLICABLE. The principles of law and equity, including the law of
35 corporations and any other form of organization authorized by the law
36 of this state and unincorporated associations, the law of real
37 estate, and the law relative to the capacity to contract, principal
38 and agent, eminent domain, estoppel, fraud, misrepresentation,
39 duress, coercion, mistake, receivership, substantial performance, or

1 other validating or invalidating cause supplement this chapter,
2 except to the extent inconsistent with this chapter.

3 NEW SECTION. **Sec. 108.** CONSTRUCTION AGAINST IMPLICIT REPEAL.
4 This chapter is intended as a unified coverage of its subject matter
5 and no part of it must be construed to be impliedly repealed by
6 subsequent legislation if that construction can reasonably be
7 avoided.

8 NEW SECTION. **Sec. 109.** UNIFORMITY OF APPLICATION AND
9 CONSTRUCTION. This chapter must be applied and construed to
10 effectuate its general purpose to make uniform the law with respect
11 to the subject of this chapter among states enacting it.

12 NEW SECTION. **Sec. 110.** SEVERABILITY. If any provision of this
13 act or its application to any person or circumstance is held invalid,
14 the remainder of the act or the application of the provision to other
15 persons or circumstances is not affected.

16 NEW SECTION. **Sec. 111.** UNCONSCIONABLE AGREEMENT OR TERM OF
17 CONTRACT. (1) The court, upon finding as a matter of law that a
18 contract or contract clause was unconscionable at the time the
19 contract was made, may refuse to enforce the contract, enforce the
20 remainder of the contract without the unconscionable clause, or limit
21 the application of any unconscionable clause to avoid an
22 unconscionable result.

23 (2) Whenever it is claimed, or appears to the court, that a
24 contract or any contract clause is or may be unconscionable, the
25 parties, to aid the court in making the determination, must be
26 afforded a reasonable opportunity to present evidence as to:

27 (a) The commercial setting of the negotiations;
28 (b) Whether a party has knowingly taken advantage of the
29 inability of the other party reasonably to protect his or her
30 interests by reason of physical or mental infirmity, illiteracy,
31 inability to understand the language of the agreement, or similar
32 factors;

33 (c) The effect and purpose of the contract or clause; and
34 (d) If a sale, any gross disparity at the time of contracting
35 between the amount charged for the property and the value of that
36 property measured by the price at which similar property was readily

1 obtainable in similar transactions. A disparity between the contract
2 price and the value of the property measured by the price at which
3 similar property was readily obtainable in similar transactions does
4 not, of itself, render the contract unconscionable.

5 NEW SECTION. **Sec. 112.** OBLIGATION OF GOOD FAITH. Every contract
6 or duty governed under this chapter imposes an obligation of good
7 faith in its performance or enforcement.

8 NEW SECTION. **Sec. 113.** REMEDIES TO BE LIBERALLY ADMINISTERED.
9 The remedies provided under this chapter must be liberally
10 administered to the end that the aggrieved party is put in as good a
11 position as if the other party had fully performed. However,
12 consequential, special, or punitive damages may not be awarded except
13 as specifically provided in this chapter or by other rule of law.

14 NEW SECTION. **Sec. 114.** ADJUSTMENT OF DOLLAR AMOUNTS. (1) From
15 time to time the dollar amount specified in sections 116 and 409(2)
16 of this act must change, as provided in subsections (2) and (3) of
17 this section, according to and to the extent of changes in the
18 consumer price index for urban wage earners and clerical workers:
19 U.S. city average, all items 1967 = 100, compiled by the bureau of
20 labor statistics, United States department of labor, (the "index").
21 The index for December 1979, which was 230, is the reference base
22 index.

23 (2) The dollar amounts specified in sections 116 and 409(2) of
24 this act and any amount stated in the declaration pursuant to
25 sections 116 and 409(2) of this act must change on July 1st of each
26 year if the percentage of change, calculated to the nearest whole
27 percentage point, between the index at the end of the preceding year
28 and the reference base index, is ten percent or more, but: (a) The
29 portion of the percentage change in the index in excess of a multiple
30 of ten percent must be disregarded and the dollar amount may only
31 change in multiples of ten percent of the amount appearing in this
32 chapter on the effective date of this section; (b) the dollar amount
33 must not change if the amount required under this section is that
34 currently in effect pursuant to this chapter as a result of earlier
35 application of this section; and (c) the dollar amount must not be
36 reduced below the amount appearing in this chapter on the effective
37 date of this section.

1 (3) If the index is revised after December 1979, the percentage
2 of change pursuant to this section must be calculated on the basis of
3 the revised index. If the revision of the index changes the reference
4 base index, a revised reference base index must be determined by
5 multiplying the reference base index then applicable by the rebasing
6 factor furnished by the bureau of labor statistics. If the index is
7 superseded, the index referred to in this section is the one
8 represented by the bureau of labor statistics as reflecting most
9 accurately the changes in the purchasing power of the dollar for
10 consumers.

11 NEW SECTION. **Sec. 115.** RELATION TO ELECTRONIC SIGNATURES IN
12 GLOBAL AND NATIONAL COMMERCE ACT. This chapter modifies, limits, and
13 supersedes the federal electronic signatures in global and national
14 commerce act, 15 U.S.C. Sec. 7001 et seq., but does not modify,
15 limit, or supersede 15 U.S.C. Sec. 7001(c) or authorize electronic
16 delivery of any of the notices described in 15 U.S.C. Sec. 7003(b).

17 NEW SECTION. **Sec. 116.** APPLICABILITY TO NEW COMMON INTEREST
18 COMMUNITIES. (1) Except as provided otherwise in this section, this
19 chapter applies to all common interest communities created within
20 this state after the effective date of this section. Chapters 59.18,
21 64.32, 64.34, and 64.38 RCW do not apply to common interest
22 communities created after the effective date of this section.

23 (2) Unless the declaration provides that this entire chapter is
24 applicable, a plat community or miscellaneous community that is not
25 subject to any development right is subject only to sections 104,
26 105, and 106 of this act, if the community: (a) Contains no more than
27 twelve units; and (b) provides in its declaration that the annual
28 average assessment of all units restricted to residential purposes,
29 exclusive of optional user fees and any insurance premiums paid by
30 the association, may not exceed three hundred dollars, as adjusted
31 pursuant to section 114 of this act.

32 (3) The exemption provided in subsection (2) of this section
33 applies only if:

34 (a) The declarant reasonably believes in good faith that the
35 maximum stated assessment will be sufficient to pay the expenses of
36 the association for the community; and

37 (b) The declaration provides that the assessment may not be
38 increased above the limitation in subsection (2) of this section

1 prior to the transition meeting without the consent of unit owners,
2 other than the declarant, holding ninety percent of the votes in the
3 association.

4 NEW SECTION. **Sec. 117.** APPLICABILITY TO PREEXISTING COMMON
5 INTEREST COMMUNITIES. (1) Except for a nonresidential common interest
6 community described in section 121 of this act, sections 120 and 326
7 of this act apply, and any inconsistent provisions of chapter 59.18,
8 64.32, 64.34, or 64.38 RCW do not apply, to a common interest
9 community created in this state before the effective date of this
10 section.

11 (2) Except to the extent provided in this subsection, the
12 sections listed in subsection (1) of this section apply only to
13 events and circumstances occurring after the effective date of this
14 section and do not invalidate existing provisions of the governing
15 documents of those common interest communities. To protect the public
16 interest, sections 120 and 326 of this act supersede existing
17 provisions of the governing documents of all plat communities and
18 miscellaneous communities previously subject to chapter 64.38 RCW.

19 NEW SECTION. **Sec. 118.** APPLICABILITY OF AMENDMENTS TO NEW
20 COMMON INTEREST COMMUNITIES. Amendments to this chapter apply to all
21 common interest communities except those that (1) were created prior
22 to the effective date of this section and (2) have not subsequently
23 amended their governing documents to provide that this chapter will
24 apply to the common interest community pursuant to section 120 of
25 this act.

26 NEW SECTION. **Sec. 119.** APPLICABILITY OF PRIOR CONDOMINIUM
27 STATUTES. Chapter 64.32 RCW does not apply to condominiums created
28 after July 1, 1990, and chapter 64.34 RCW does not apply to
29 condominiums created after the effective date of this section.

30 NEW SECTION. **Sec. 120.** ELECTION OF PREEXISTING COMMON INTEREST
31 COMMUNITIES TO BE GOVERNED BY THIS CHAPTER. (1) The declaration of
32 any common interest community created before the effective date of
33 this section may be amended to provide that this chapter will apply
34 to the common interest community, regardless of what applicable law
35 provided before this act was adopted.

1 (2) Except as provided otherwise in subsection (3) of this
2 section or in section 218 (9), (10), or (11) of this act, an
3 amendment to the governing documents authorized under this section
4 must be adopted in conformity with any procedures and requirements
5 for amending the instruments specified by those instruments and in
6 conformity with the amendment procedures of this chapter. If the
7 governing documents do not contain provisions authorizing amendment,
8 the amendment procedures of this chapter apply. If an amendment
9 grants to a person a right, power, or privilege permitted under this
10 chapter, any correlative obligation, liability, or restriction in
11 this chapter also applies to the person.

12 (3) Notwithstanding any provision in the governing documents of a
13 common interest community that govern the procedures and requirements
14 for amending the governing documents, an amendment under subsection
15 (1) of this section may be made as follows:

16 (a) The board shall propose such amendment to the owners if the
17 board deems it appropriate or if owners holding twenty percent or
18 more of the votes in the association request such an amendment in
19 writing to the board;

20 (b) Upon satisfaction of the foregoing requirements, the board
21 shall prepare a proposed amendment and shall provide the owners with
22 a notice in a record containing the proposed amendment and at least
23 thirty days' advance notice of a meeting to discuss the proposed
24 amendment;

25 (c) Following such meeting, the board shall provide the owners
26 with a notice in a record containing the proposed amendment and a
27 ballot to approve or reject the amendment;

28 (d) The amendment shall be deemed approved if owners holding at
29 least thirty percent of the votes in the association participate in
30 the voting process, and at least sixty-seven percent of the votes
31 cast by participating owners are in favor of the proposed amendment.

32 NEW SECTION. **Sec. 121.** APPLICABILITY TO NONRESIDENTIAL AND
33 MIXED-USE COMMON INTEREST COMMUNITIES. (1) A plat community,
34 miscellaneous community, or cooperative in which all the units are
35 restricted exclusively to nonresidential use is not subject to this
36 chapter except to the extent the declaration provides that:

37 (a) This entire chapter applies to the community;

38 (b) Sections 101 through 226 of this act apply to the community;

39 or

1 (c) Only sections 104, 105, and 106 of this act apply to the
2 community.

3 (2) A condominium in which all the units are restricted
4 exclusively to nonresidential use is subject to this chapter, but the
5 declaration may provide that only sections 101 through 226 of this
6 act apply to the community.

7 (3) If this entire chapter applies to a common interest community
8 in which all the units are restricted exclusively to nonresidential
9 use, the declaration may also require, subject to section 111 of this
10 act, that:

11 (a) Any management, maintenance, operations, or employment
12 contract, lease of recreational or parking areas or facilities, and
13 any other contract or lease between the association and a declarant
14 or an affiliate of a declarant continues in force after the declarant
15 turns over control of the association; and

16 (b) Purchasers of units must execute proxies, powers of attorney,
17 or similar devices in favor of the declarant regarding particular
18 matters enumerated in those instruments.

19 (4) A common interest community that contains both units
20 restricted to nonresidential purposes and units that may be used for
21 residential purposes is not subject to this chapter unless the units
22 that may be used for residential purposes would comprise a common
23 interest community subject to this chapter in the absence of such
24 nonresidential units or the declaration provides that this chapter
25 applies as provided in subsection (2) or (3) of this section.

26 NEW SECTION. **Sec. 122.** APPLICABILITY TO OUT-OF-STATE COMMON
27 INTEREST COMMUNITIES. This chapter does not apply to a common
28 interest community located outside this state.

29 NEW SECTION. **Sec. 123.** OTHER EXEMPT REAL ESTATE ARRANGEMENTS.

30 (1) An arrangement between the associations for two or more common
31 interest communities to share the costs of real estate taxes,
32 insurance premiums, services, maintenance or improvements of real
33 estate, or other activities specified in their arrangement or
34 declarations does not create a separate common interest community.

35 (2) An arrangement between an association for a common interest
36 community and the owner of real estate that is not part of a common
37 interest community to share the costs of real estate taxes, insurance
38 premiums, services, maintenance or improvements of real estate, or

1 other activities specified in their arrangement does not create a
2 separate common interest community. However, costs payable by the
3 common interest community as a result of the arrangement must be
4 included in the periodic budget for the common interest community,
5 and the arrangement must be disclosed in all public offering
6 statements and resale certificates required under this chapter.

7 (3) Except for a cooperative, a lease in which the tenant is
8 obligated to share the costs of real estate taxes, insurance
9 premiums, services, maintenance or improvements of real estate, or
10 other activities specified in an arrangement does not create a
11 separate common interest community.

12 NEW SECTION. **Sec. 124.** OTHER EXEMPT COVENANTS. An easement or
13 covenant that requires the owners of separately owned parcels of real
14 estate to share costs or other obligations associated with a party
15 wall, driveway, well, or other similar use does not create a common
16 interest community.

17 **II. CREATION, ALTERATION, AND TERMINATION OF COMMON INTEREST**
18 **COMMUNITIES**

19 NEW SECTION. **Sec. 201.** CREATION OF COMMON INTEREST COMMUNITIES.
20 (1)(a) A common interest community may be created under this chapter
21 only by (i) recording a declaration executed in the same manner as a
22 deed, and (ii) recording a map pursuant to section 210(3) of this
23 act, and (iii) with respect to a cooperative, conveying the real
24 estate subject to that declaration to the association.

25 (b) The declaration and map must be recorded in every county in
26 which any portion of the common interest community is located. The
27 name of a condominium must not be identical to the name of any other
28 existing condominium or plat community, whether created under this
29 chapter or chapter 64.32 or 64.34 RCW, in any county in which the
30 condominium is located.

31 (2) A declaration or an amendment to a declaration adding units
32 to a common interest community other than a plat community may not be
33 recorded unless a certification required under section 210(6) (a) or
34 (b) of this act regarding the map is also recorded.

35 (3)(a) Except as provided otherwise in the declaration or map,
36 if, in a common interest community other than a condominium or
37 cooperative, real estate described as a common element in the

1 declaration or map is not conveyed to the association or expressly
2 dedicated in the declaration or map to the unit owners as tenants in
3 common, that real estate is deemed to be conveyed to the association
4 at the time the first unit is conveyed, subject to the authority and
5 jurisdiction of the association and subject to development rights, if
6 any, reserved in the declaration.

7 (b) Except as provided otherwise in the declaration or map, in
8 the event of the dissolution of an association, any real estate owned
9 by the association vests in the unit owners as tenants in common with
10 each unit owner's interest being determined in accordance with the
11 provisions of section 219 of this act regarding a termination of the
12 common interest community.

13 NEW SECTION. **Sec. 202.** RESERVATION OF NAME. Upon the filing of
14 a written request with the county office in which the declaration is
15 to be recorded, using a form of written request as may be required by
16 the county office and paying a fee as the county office may establish
17 not in excess of fifty dollars, a person may reserve the exclusive
18 right to use a particular name for a condominium to be created in
19 that county. The reserved name must not be identical to any other
20 condominium or plat community located in that county. The name
21 reservation expires unless within three hundred sixty-five days from
22 the date on which the name reservation is filed the person reserving
23 that name either records a declaration using the reserved name or
24 files a new name reservation request.

25 NEW SECTION. **Sec. 203.** UNIT BOUNDARIES. (1) Except as provided
26 by the declaration or, in the case of a plat community or
27 miscellaneous community, by the map:

28 (a) If walls, floors, or ceilings are designated as boundaries of
29 a unit, all lath, furring, wallboard, plasterboard, plaster,
30 paneling, tiles, wallpaper, paint, finished flooring, and any other
31 materials constituting any part of the finished surfaces thereof are
32 a part of the unit, and all other portions of the walls, floors, or
33 ceilings are a part of the common elements.

34 (b) If any chute, flue, duct, wire, conduit, bearing wall,
35 bearing column, or any other fixture lies partially within and
36 partially outside the designated boundaries of a unit, any portion
37 thereof serving only that unit is a limited common element allocated
38 solely to that unit, and any portion thereof serving more than one

1 unit or any portion of the common elements is a part of the common
2 elements.

3 (2) Subject to subsection (1)(b) of this section, all spaces,
4 interior partitions, and other fixtures and improvements within the
5 boundaries of a unit are a part of the unit.

6 (3) Any fireplaces, shutters, awnings, window boxes, doorsteps,
7 stoops, porches, balconies, decks, patios, and all exterior doors and
8 windows or other fixtures designed to serve a single unit, but
9 located outside the unit's boundaries, are limited common elements
10 allocated exclusively to that unit.

11 NEW SECTION. **Sec. 204.** CONSTRUCTION AND VALIDITY OF GOVERNING
12 DOCUMENTS. (1) All provisions of the governing documents are
13 severable. If any provision of a governing document, or its
14 application to any person or circumstances, is held invalid, the
15 remainder of the governing document or application to other persons
16 or circumstances is not affected.

17 (2) The rule against perpetuities may not be applied to defeat
18 any provision of the governing documents adopted pursuant to section
19 302(1)(a) of this act.

20 (3) If a conflict exists between the declaration and the
21 organizational documents, the declaration prevails except to the
22 extent the declaration is inconsistent with this chapter.

23 (4)(a) The creation of a common interest community must not be
24 impaired and title to a unit and any common elements must not be
25 rendered unmarketable or otherwise affected by reason of an
26 insignificant failure of the governing documents, or any amendment to
27 the governing documents, to comply with this chapter.

28 (b) This chapter does not determine whether a significant failure
29 impairs marketability. Any unit owner, record owner of a security
30 interest in any portion of the common interest community, or the
31 association has standing to obtain a court order compelling the
32 recordation of a declaration or map or adoption of organizational
33 documents, or any appropriate amendment thereto, or to any other
34 governing document, necessary to comply with the requirements of this
35 chapter and to effectuate the reasonably ascertainable intent of the
36 parties, including the intent to create a common interest community
37 in compliance with this chapter. The failure to (i) include in the
38 declaration or any amendment to the declaration cross-references by
39 recording number to the map or any amendment to the map, or (ii)

1 include in the map or any amendment to the map cross-references by
2 recording number to the declaration or any amendment to the
3 declaration is deemed an insignificant failure to comply with this
4 chapter.

5 NEW SECTION. **Sec. 205.** DESCRIPTION OF UNITS. (1) In a
6 condominium or a cooperative, a description of a unit that sets forth
7 the name of the common interest community, the recording data for the
8 declaration, the county and state in which the common interest
9 community is located, and the identifying number of the unit is a
10 legally sufficient description of that unit and all rights,
11 obligations, and interests appurtenant to that unit that were created
12 by the governing documents.

13 (2) In a plat community or miscellaneous community, a description
14 of a unit that sets forth the name of the common interest community,
15 the recording data for the map, the county and state in which the
16 common interest community is located, and the identifying number of
17 the unit is a legally sufficient description of that unit and all
18 rights, obligations, and interests appurtenant to that unit.

19 NEW SECTION. **Sec. 206.** CONTENTS OF DECLARATION. (1) The
20 declaration must contain:

21 (a) The names of the common interest community and the
22 association and, immediately following the initial recital of the
23 name of the community, a statement that the common interest community
24 is a condominium, cooperative, plat community, or miscellaneous
25 community;

26 (b) A legal description of the real estate included in the common
27 interest community;

28 (c) A statement of the number of units that the declarant has
29 created and, if the declarant has reserved the right to create
30 additional units, the maximum number of such additional units;

31 (d) In all common interest communities, a reference to the
32 recorded map creating the units and common elements, if any, subject
33 to the declaration, and in a common interest community other than a
34 plat community, the identifying number of each unit created by the
35 declaration, a description of the boundaries of each unit if and to
36 the extent they are different from the boundaries stated in section
37 203(1)(a) of this act, and with respect to each existing unit, and if
38 known at the time the declaration is recorded, the (i) approximate

1 square footage, (ii) number of whole or partial bathrooms, (iii)
2 number of rooms designated primarily as bedrooms, and (iv) level or
3 levels on which each unit is located. The data described in this
4 subsection (1)(d)(ii) and (iii) may be omitted with respect to units
5 restricted to nonresidential use;

6 (e) A description of any limited common elements, other than
7 those specified in section 203 (1)(b) and (2) of this act;

8 (f) A description of any real estate that may be allocated
9 subsequently by the declarant as limited common elements, other than
10 limited common elements specified in section 203 (1)(b) and (2) of
11 this act, together with a statement that they may be so allocated;

12 (g) A description of any development right and any other special
13 declarant rights reserved by the declarant, and, if the boundaries of
14 the real estate subject to those rights are fixed in the declaration
15 pursuant to (h)(i) of this subsection, a description of the real
16 property affected by those rights, and a time limit within which each
17 of those rights must be exercised;

18 (h) If any development right may be exercised with respect to
19 different parcels of real estate at different times, a statement to
20 that effect together with:

21 (i) Either a statement fixing the boundaries of those portions
22 and regulating the order in which those portions may be subjected to
23 the exercise of each development right or a statement that no
24 assurances are made in those regards; and

25 (ii) A statement as to whether, if any development right is
26 exercised in any portion of the real estate subject to that
27 development right, that development right must be exercised in all or
28 in any other portion of the remainder of that real estate;

29 (i) Any other conditions or limitations under which the rights
30 described in (g) of this subsection may be exercised or will lapse;

31 (j) An allocation to each unit of the allocated interests in the
32 manner described in section 208 of this act;

33 (k) Any restrictions on alienation of the units, including any
34 restrictions on leasing that exceed the restrictions on leasing units
35 that boards may impose pursuant to section 323(9)(c) of this act and
36 on the amount for which a unit may be sold or on the amount that may
37 be received by a unit owner on sale, condemnation, or casualty loss
38 to the unit or to the common interest community, or on termination of
39 the common interest community;

1 (1) A cross-reference by recording number to the map for the
2 units created by the declaration;

3 (m) Any authorization pursuant to which the association may
4 establish and enforce construction and design criteria and aesthetic
5 standards as provided in section 322 of this act;

6 (n) All matters required under sections 207, 208, 209, 216, 217,
7 and 303 of this act.

8 (2) All amendments to the declaration must contain a cross-
9 reference by recording number to the declaration and to any prior
10 amendments to the declaration. All amendments to the declaration
11 adding units must contain a cross-reference by recording number to
12 the map relating to the added units and set forth all information
13 required under subsection (1) of this section with respect to the
14 added units.

15 (3) The declaration may contain any other matters the declarant
16 considers appropriate, including any restrictions on the uses of a
17 unit or the number or other qualifications of persons who may occupy
18 units.

19 NEW SECTION. **Sec. 207.** LEASEHOLD COMMON INTEREST COMMUNITIES.

20 (1) Any lease the expiration or termination of which may terminate
21 the common interest community or reduce its size, or a memorandum of
22 the lease, must be recorded. Every lessor of these leases in a
23 condominium, plat community, or miscellaneous community must sign the
24 declaration. The declaration must state:

25 (a) The recording number of the lease or a statement of where the
26 complete lease may be inspected;

27 (b) The date on which the lease is scheduled to expire;

28 (c) A legal description of the real estate subject to the lease;

29 (d) Any right of the unit owners to redeem the reversion and the
30 manner in which those rights may be exercised, or a statement that
31 they do not have those rights;

32 (e) Any right of the unit owners to remove any improvements
33 within a reasonable or stated time after the expiration or
34 termination of the lease, or a statement that they do not have those
35 rights; and

36 (f) Any rights of the unit owners to renew the lease and the
37 conditions of any renewal, or a statement that they do not have those
38 rights.

1 (2) The declaration may provide for the collection by the
2 association of the proportionate rents paid on the lease by the unit
3 owners and may designate the association as the representative of the
4 unit owners on all matters relating to the lease.

5 (3) After the declaration for a condominium, miscellaneous
6 community, or plat community is recorded, neither the lessor nor the
7 lessor's successor in interest may terminate the leasehold interest
8 of a unit owner who makes timely payment of a unit owner's share of
9 the rent and otherwise complies with all covenants that, if violated,
10 would entitle the lessor to terminate the lease. A unit owner's
11 leasehold interest in a condominium, miscellaneous community, or plat
12 community is not affected by failure of any other person to pay rent
13 or fulfill any other covenant.

14 (4) Acquisition of the leasehold interest of any unit owner by
15 the owner of the reversion or remainder does not merge the leasehold
16 and fee simple interests unless the leasehold interests of all unit
17 owners subject to that reversion or remainder are acquired and the
18 owner of the reversion or remainder records a document confirming the
19 merger.

20 (5) If the expiration or termination of a lease decreases the
21 number of units in a common interest community, the allocated
22 interests must be reallocated in accordance with section 106(1) of
23 this act as though those units had been taken by condemnation.
24 Reallocations must be confirmed by an amendment to the declaration
25 and map prepared, executed, and recorded by the association.

26 NEW SECTION. **Sec. 208.** ALLOCATION OF ALLOCATED INTERESTS. (1)

27 The declaration must allocate to each unit:

28 (a) In a condominium, a fraction or percentage of undivided
29 interests in the common elements and in the common expenses of the
30 association and a portion of the votes in the association;

31 (b) In a cooperative, an ownership interest in the association, a
32 fraction or percentage of the common expenses of the association, and
33 a portion of the votes in the association; and

34 (c) In a plat community and miscellaneous community, a fraction
35 or percentage of the common expenses of the association and a portion
36 of the votes in the association.

37 (2) The declaration must state the formulas used to establish
38 allocations of interests. Those allocations may not discriminate in

1 favor of units owned by the declarant or an affiliate of the
2 declarant.

3 (3) If units may be added to or withdrawn from the common
4 interest community, the declaration must state the formulas to be
5 used to reallocate the allocated interests among all units included
6 in the common interest community after the addition or withdrawal.

7 (4)(a) The declaration may provide:

8 (i) That different allocations of votes are made to the units on
9 particular matters specified in the declaration;

10 (ii) For cumulative voting only for the purpose of electing board
11 members; and

12 (iii) For class voting on specified issues affecting the class if
13 necessary to protect valid interests of the class.

14 (b) A declarant may not utilize cumulative or class voting for
15 the purpose of evading any limitation imposed on declarants under
16 this chapter, and units do not constitute a class because they are
17 owned by a declarant.

18 (5) Except for minor variations due to rounding, the sum of the
19 common expense liabilities and, in a condominium, the sum of the
20 undivided interests in the common elements allocated at any time to
21 all the units must each equal one if stated as a fraction or one
22 hundred percent if stated as a percentage. In the event of
23 discrepancy between an allocated interest and the result derived from
24 application of the pertinent formula, the allocated interest
25 prevails.

26 (6)(a) In a condominium, the common elements are not subject to
27 partition, and any purported conveyance, encumbrance, judicial sale,
28 or other voluntary or involuntary transfer of an undivided interest
29 in the common elements made without the unit to which that interest
30 is allocated is void.

31 (b) In a cooperative, any purported conveyance, encumbrance,
32 judicial sale, or other voluntary or involuntary transfer of an
33 ownership interest in the association made without the possessory
34 interest in the unit to which that interest is related is void.

35 NEW SECTION. **Sec. 209.** LIMITED COMMON ELEMENTS. (1)(a) Except
36 for the limited common elements described in section 203 (1)(b) and
37 (3) of this act, the declaration must specify to which unit or units
38 each limited common element is allocated.

1 (b) An allocation of a limited common element may not be altered
2 without the consent of the owners of the units from which and to
3 which the limited common element is allocated.

4 (2)(a) Except in the case of a reallocation being made by a
5 declarant pursuant to a development right reserved in the
6 declaration, a limited common element may be reallocated between
7 units only with the approval of the board and by an amendment to the
8 declaration executed by the unit owners between or among whose units
9 the reallocation is made.

10 (b) The board must approve the request of the unit owner or
11 owners under this subsection (2) within thirty days, or within such
12 other period provided by the declaration, unless the proposed
13 reallocation does not comply with this chapter or the declaration.
14 The failure of the board to act upon a request within such period is
15 deemed an approval of the request.

16 (c) The amendment must be executed and recorded by the
17 association and be recorded in the name of the common interest
18 community.

19 (3) Unless provided otherwise in the declaration, the unit owners
20 of units to which at least sixty-seven percent of the votes are
21 allocated, including the unit owner of the unit to which the common
22 element or limited common element will be assigned or incorporated,
23 must agree to reallocate a common element as a limited common element
24 or to incorporate a common element or a limited common element into
25 an existing unit. Such reallocation or incorporation must be
26 reflected in an amendment to the declaration and the map.

27 NEW SECTION. **Sec. 210.** MAPS. (1) A map is required for all
28 common interest communities. For purposes of this chapter, a map must
29 be construed as part of the declaration.

30 (2) With the exception of subsections (1), (3), (4), and (14) of
31 this section, this section does not apply to a plat as defined in RCW
32 58.17.020.

33 (3) The map for a common interest community must be executed by
34 the declarant and recorded concurrently with, and contain cross-
35 references by recording number to, the declaration.

36 (4) An amendment to a map for a common interest community must be
37 executed by the same party or parties authorized or required to
38 execute an amendment to the declaration, contain cross-references by
39 recording number to the declaration and any amendments to the

1 declaration, and be recorded concurrently with an amendment to the
2 declaration. With respect to a plat community, (a) any amendment to
3 the map must be prepared and recorded in compliance with the
4 requirements, processes, and procedures in chapter 58.17 RCW and of
5 the local subdivision ordinances of the city, town, or county in
6 which the plat community is located, and (b) any amendment to the
7 declaration must conform to the map as so approved and recorded.

8 (5) A map for a cooperative may be prepared by a licensed land
9 surveyor, and may be incorporated into the declaration to satisfy
10 subsection (3) of this section and section 206(1)(d) of this act. If
11 the map for a cooperative is not prepared by a licensed land
12 surveyor, the map need not contain the certification required in
13 subsection (6)(a) of this section.

14 (6) The map for a common interest community must be clear and
15 legible and must contain:

16 (a) If the map is a survey, a certification by a licensed land
17 surveyor in substantially the following form:

18 SURVEYOR CERTIFICATE: This map correctly represents a survey made
19 by me or under my direction in conformance with the requirements of
20 the Survey Recording Act at the request of (name of party
21 requesting the survey) on (date). I hereby certify that this
22 map for (name of common interest community) is based upon an
23 actual survey of the property herein described; that the bearings and
24 distances are correctly shown; that all information required by the
25 Washington Uniform Common Interest Ownership Act is supplied herein;
26 and that all horizontal and vertical boundaries of the units, (1) to
27 the extent determined by the walls, floors, or ceilings thereof, or
28 other physical monuments, are substantially completed in accordance
29 with said map, or (2) to the extent such boundaries are not defined
30 by physical monuments, such boundaries are shown on the map.
31 (Surveyor's name, signature, license or certificate number, and
32 acknowledgment)

33 (b) If the map is not a survey, a certification in substantially
34 the following form:

35 DECLARANT CERTIFICATE: I hereby certify on behalf of
36 (declarant) that this map for (name of common interest
37 community) was made by me or under my direction in conformance with
38 the requirements of RCW (this section); that all information
39 required by the Washington Uniform Common Interest Ownership Act is

1 supplied herein; and that all horizontal and vertical boundaries of
2 the units, (1) to the extent determined by the walls, floors, or
3 ceilings thereof, or other physical monuments, are substantially
4 completed in accordance with said map, or (2) to the extent such
5 boundaries are not defined by physical monuments, such boundaries are
6 shown on the map. (Declarant's name, signature, and acknowledgment)

7 (c) A declaration by the declarant in substantially the following
8 form:

9 DECLARANT DECLARATION: The undersigned owner or owners of the
10 interest in the real estate described herein hereby declare this map
11 and dedicate the same for a common interest community named
12 (name of common interest community), a (type of community), as
13 that term is defined in the Washington Uniform Common Interest
14 Ownership Act, solely to meet the requirements of the Washington
15 Uniform Common Interest Ownership Act and not for any public purpose.
16 This map and any portion thereof is restricted by law and the
17 Declaration for (name of common interest community), recorded
18 under (name of county in which the common interest community is
19 located) County Recording No. (recording number). (Declarant's
20 name, signature, and acknowledgment)

21 (7) Each map filed for a common interest community, and any
22 amendments to the map, must be in the style, size, form, and quality
23 as prescribed by the recording authority of the county where filed,
24 and a copy must be delivered to the county assessor.

25 (8) Each map prepared for a common interest community in
26 compliance with this chapter, and any amendments to the map, must
27 show or state:

28 (a) The name of the common interest community and, immediately
29 following the name of the community, a statement that the common
30 interest community is a condominium, cooperative, or miscellaneous
31 community as defined in this chapter. A local jurisdiction may also
32 require that the name of a plat community on the survey, plat, or map
33 be followed by a statement that the common interest community is a
34 plat community as defined in this chapter;

35 (b) A legal description of the land in the common interest
36 community;

37 (c) As to a condominium, a survey of the land in the condominium,
38 and as to a cooperative, a survey or a drawing of the land included

1 in the entire cooperative that complies with the other requirements
2 of this section;

3 (d) If the boundaries of land subject to the development right to
4 withdraw are fixed in the declaration or an amendment to the
5 declaration pursuant to section 206(1)(h)(i) of this act, and subject
6 to the provisions of the declaration, an amendment to the map if not
7 contained in the initial recorded map, the legal description and
8 boundaries of that land, labeled "MAY BE WITHDRAWN FROM THE [COMMON
9 INTEREST COMMUNITY];

10 (e) If the boundaries of land subject to the development right to
11 add units that will result in the reallocation of allocated interests
12 is fixed in the declaration or an amendment to the declaration
13 pursuant to section 206(1)(h)(i) of this act, and subject to the
14 provisions of the declaration, the legal description and boundaries
15 of that land, labeled "SUBJECT TO DEVELOPMENT RIGHTS TO ADD UNITS
16 THAT WILL RESULT IN A REALLOCATION OF ALLOCATED INTERESTS";

17 (f) The location and dimensions of all existing buildings
18 containing or comprising units;

19 (g) The extent of any encroachments by or upon any portion of the
20 common interest community;

21 (h) To the extent feasible, the location and dimensions of all
22 recorded easements serving or burdening any portion of the common
23 interest community and any unrecorded easements of which a surveyor
24 or declarant knows or reasonably should have known;

25 (i) The location and dimensions of vertical unit boundaries;

26 (j) The location with reference to an established datum of
27 horizontal unit boundaries. With respect to a cooperative,
28 miscellaneous community, or condominium for which the horizontal
29 boundaries are not defined by physical monuments, reference to an
30 established datum is not required if the location of the horizontal
31 boundaries of a unit is otherwise reasonably described or depicted;

32 (k) The legal description and the location and dimensions of any
33 real estate in which the unit owners will own only an estate for
34 years, labeled as "LEASEHOLD REAL ESTATE";

35 (l) The distance between any noncontiguous parcels of real estate
36 comprising the common interest community;

37 (m) The general location of any existing principal common
38 amenities listed in a public offering statement under section
39 403(1)(k) of this act;

1 (n) The general location of porches, decks, balconies, patios,
2 storage facilities, moorage spaces, or parking spaces that are
3 allocated as limited common elements, and any applicable identifying
4 number or designation; and

5 (o) As to any survey, all other matters customarily shown on land
6 surveys.

7 (9) The map for a common interest community may also show the
8 anticipated approximate location and dimensions of any contemplated
9 improvement to be constructed anywhere within the common interest
10 community, and any contemplated improvement shown must be labeled
11 either "MUST BE BUILT" or "NEED NOT BE BUILT."

12 (10) The map for a common interest community must identify any
13 unit in which the declarant has reserved the right to create
14 additional units or common elements under section 211(3) of this act.

15 (11) Unless the declaration provides otherwise, any horizontal
16 boundary of part of a unit located outside a building has the same
17 elevation as the horizontal boundary of the inside part and need not
18 be depicted on the map.

19 (12) Upon exercising any development right, the declarant must
20 record either new maps necessary to conform to the requirements of
21 subsections (3), (4), (6), and (8) of this section, or new
22 certifications of any map previously recorded if that map otherwise
23 conforms to the requirements of subsections (3), (4), (6), and (8) of
24 this section.

25 (13) Any survey and the surveyor certifications required under
26 this section must be made by a licensed surveyor.

27 (14) As to a plat community, the information required under
28 subsections (6) (a) and (c), (8) (d) through (g), (k), (m), and (n),
29 (9), and (10) of this section is required, but may be shown on a map
30 incorporated in or attached to the declaration, and need not be shown
31 on the plat community map. Any such map is deemed a map for purposes
32 of applying the provisions of this section, and the declarant must
33 provide the certification required under subsection (6)(b) of this
34 section.

35 (15) In showing or projecting the location and dimensions of the
36 vertical boundaries of a unit located in a building, it is not
37 necessary to show the thickness of the walls constituting the
38 vertical boundaries or otherwise show the distance of those vertical
39 boundaries either from the exterior surface of the building
40 containing that unit or from adjacent vertical boundaries of other

1 units if: (a) The walls are designated to be the vertical boundaries
2 of that unit; (b) the unit is located within a building, the location
3 and dimensions of the building having been shown on the map under
4 subsection (8)(f) of this section; and (c) the graphic general
5 location of the vertical boundaries are shown in relation to the
6 exterior surfaces of that building and to the vertical boundaries of
7 other units within that building.

8 NEW SECTION. **Sec. 211.** EXERCISE OF DEVELOPMENT RIGHTS. (1) To
9 exercise any development right reserved under section 206(1)(h) of
10 this act, the declarant must prepare, execute, and record any
11 amendments to the declaration and map in accordance with the
12 requirements of sections 210 and 218(3) of this act. The declarant is
13 the unit owner of any units created. The amendment to the declaration
14 must assign an identifying number to each new unit created and,
15 except in the case of subdivision, combination, or conversion of
16 units described in subsection (3) of this section, reallocate the
17 allocated interests among all units. The amendment must describe any
18 common elements and any limited common elements created and, in the
19 case of limited common elements, designate the unit to which each is
20 allocated to the extent required under section 209 of this act. The
21 amendments are effective upon recording.

22 (2) Development rights may be reserved within any real estate
23 added to the common interest community if the amendment to the
24 declaration adding that real estate includes all matters required
25 under sections 206 and 207 of this act and the amendment to the map
26 includes all matters required under section 210 of this act. This
27 subsection does not extend the time limit on the exercise of
28 development rights imposed by the declaration pursuant to section
29 206(1)(h) of this act.

30 (3) When a declarant exercises a development right to subdivide,
31 combine, or convert a unit previously created into additional units
32 or common elements, or both:

33 (a) If the declarant converts the unit entirely into common
34 elements, the amendment to the declaration must reallocate all the
35 allocated interests of that unit among the other units as if that
36 unit had been taken by condemnation under section 106 of this act; or

37 (b) If the declarant subdivides the unit into two or more units,
38 whether or not any part of the unit is converted into common
39 elements, the amendment to the declaration must reallocate all the

1 allocated interests of the unit among the units created by the
2 subdivision in any reasonable manner prescribed by the declarant.

3 (4) If the declaration provides, pursuant to section 206(1)(h) of
4 this act, that all or a portion of the real estate is subject to a
5 right of withdrawal:

6 (a) If all the real estate is subject to withdrawal, and the
7 declaration or map or amendment to the declaration or map does not
8 describe separate portions of real estate subject to that right, none
9 of the real estate may be withdrawn if a unit in that real estate has
10 been conveyed to a purchaser; or

11 (b) If any portion of the real estate is subject to withdrawal as
12 described in the declaration or map or amendment to the declaration
13 or map, none of that portion of the real estate may be withdrawn if a
14 unit in that portion has been conveyed to a purchaser.

15 (5) If the declarant combines two or more units into a lesser
16 number of units, whether or not any part of a unit is converted into
17 common elements or common elements are converted units, the amendment
18 to the declaration must reallocate all of the allocated interests of
19 the units being combined into the unit or units created by the
20 combination in any reasonable manner prescribed by the declarant.

21 (6) A unit conveyed to a purchaser may not be withdrawn pursuant
22 to subsection (4)(a) or (b) of this section without the consent of
23 the unit owner of that unit and the holder of a security interest in
24 the unit.

25 NEW SECTION. **Sec. 212.** ALTERATIONS OF COMMON ELEMENTS AND
26 UNITS. Subject to the provisions of the governing documents and other
27 provisions of law, a unit owner:

28 (1) May make any improvements or alterations to the unit owner's
29 unit that do not impair the structural integrity or mechanical or
30 electrical systems or lessen the support of any portion of the common
31 interest community;

32 (2) May not change the appearance of the common elements without
33 approval of the board;

34 (3) After acquiring an adjoining unit or an adjoining part of an
35 adjoining unit, with approval of the board, may remove or alter any
36 intervening partition or create apertures in the unit or adjoining
37 unit, even if the partition in whole or in part is a common element.
38 The removal of partitions or creation of apertures under this
39 subsection is not an alteration of boundaries. The board must approve

1 a unit owner's request, which must include the plans and
2 specifications for the proposed removal or alteration, under this
3 subsection (3) after receipt of all required information unless the
4 proposed alteration does not comply with this section or the
5 governing documents; and

6 (4) May eliminate the title to a mobile home or manufactured home
7 within the unit as permitted under chapter 65.20 RCW without the
8 consent or joinder by the association, any other unit owner, or any
9 party having a security interest in any other unit or the common
10 elements.

11 NEW SECTION. **Sec. 213.** RELOCATION OF UNIT BOUNDARIES. (1)
12 Subject to the provisions of the declaration, section 212 of this
13 act, and other provisions of law, the boundaries between adjoining
14 units may be relocated upon application to the board by the unit
15 owners of those units and upon approval by the board pursuant to this
16 section. The application must include plans showing the relocated
17 boundaries and such other information as the board may require. If
18 the unit owners of the adjoining units have specified a reallocation
19 between their units of their allocated interests, the application
20 must state the proposed reallocations. Unless the board determines,
21 after receipt of all required information, that the reallocations are
22 unreasonable or that the proposed boundary relocation does not comply
23 with the declaration, section 212 of this act, or other provisions of
24 law, the board must approve the application and prepare any
25 amendments to the declaration and map in accordance with the
26 requirements of subsection (3) of this section.

27 (2)(a) Subject to the provisions of the declaration and other
28 provisions of law, boundaries between units and common elements may
29 be relocated to incorporate common elements within a unit by an
30 amendment to the declaration upon application to the association by
31 the unit owner of the unit who proposes to relocate a boundary. The
32 amendment may be approved only if the unit owner of the unit, the
33 boundary of which is being relocated, and, unless the declaration
34 provides otherwise, persons entitled to cast at least sixty-seven
35 percent of the votes in the association, including sixty-seven
36 percent of the votes allocated to units not owned by the declarant,
37 agree.

38 (b) The association may require payment to the association of a
39 one-time fee or charge or continuing fees or charges payable by the

1 unit owners of the units whose boundaries are being relocated to
2 include common elements.

3 (3)(a) The association must prepare any amendment to the
4 declaration in accordance with the requirements of section 206 of
5 this act and any amendment to the map in accordance with the
6 requirements of section 210 of this act necessary to show or describe
7 the altered boundaries of affected units and their dimensions and
8 identifying numbers.

9 (b) The amendment to the declaration must be executed by the unit
10 owner of the unit, the boundaries of which are being relocated, and
11 by the association, contain words of conveyance between them, and be
12 recorded in the names of the unit owner or owners and the
13 association, as grantor or grantee, as appropriate and as required
14 under section 218(3) of this act. The amendments are effective upon
15 recording.

16 (4) All costs, including reasonable attorneys' fees, incurred by
17 the association for preparing and recording amendments to the
18 declaration and map under this section must be assessed to the unit,
19 the boundaries of which are being relocated.

20 NEW SECTION. **Sec. 214.** SUBDIVISION AND COMBINATION OF UNITS.

21 (1) Unless prohibited in the declaration, subject to the provisions
22 of the declaration, section 212 of this act, and other provisions of
23 law, a unit may be subdivided into two or more units upon application
24 to the association by the unit owner of the unit and upon approval by
25 the board pursuant to this section. The application must include
26 plans showing the relocated boundaries, a reallocation of all the
27 allocated interests of the units among the units created by the
28 subdivision, and such other information as the board may require.
29 Unless the board determines, after receipt of all required
30 information, that the reallocations are unreasonable or that the
31 proposed boundary relocation does not comply with the declaration,
32 sections 209 and 212 of this act, or other provisions of law, the
33 board must approve the application and prepare any amendments to the
34 declaration and map in accordance with the requirements of subsection
35 (4) of this section.

36 (2) Unless prohibited in the declaration, subject to the
37 provisions of the declaration, section 212 of this act, and other
38 provisions of law, two or more units may be combined into a lesser
39 number of units upon application to the association by the owners of

1 those units and upon approval by the board pursuant to this section.
2 The application must include plans showing the relocated boundaries,
3 a reallocation of all the allocated interests of the units being
4 combined among the units resulting from the combination, and such
5 other information as the board may require. Unless the board
6 determines, after receipt of all required information, that the
7 reallocations are unreasonable or that the proposed boundary
8 relocation does not comply with the declaration, sections 209 and 212
9 of this act, or other provisions of law, the board shall approve the
10 application and prepare any amendments to the declaration and map in
11 accordance with the requirements of subsection (4) of this section.

12 (3) The association may require payment to the association of a
13 one-time fee or charge or continuing fees or charges payable by the
14 owners of the units whose boundaries are being relocated to include
15 common elements.

16 (4) The association must prepare, execute, and record any
17 amendments to the declaration and, in a condominium, cooperative, or
18 miscellaneous community, the map, prepared in accordance with the
19 requirements of sections 210 and 218(3) of this act, subdividing or
20 combining those units. The amendment to the declaration must be
21 executed by the association and unit owner or owners of the units
22 from which the subdivided or combined unit or units are derived,
23 assign an identifying number to each resulting unit, and reallocate
24 the allocated interests formerly allocated to the unit from which a
25 combination was derived to the new unit or, if two or more units are
26 derived from such combination, among the new units in any reasonable
27 manner prescribed by such owners in the amendment or on any other
28 basis the declaration requires. The amendments are effective upon
29 recording.

30 (5) All costs, including reasonable attorneys' fees, incurred by
31 the association for preparing and recording amendments to the
32 declaration and map under this section must be assessed to the unit,
33 the boundaries of which are being relocated.

34 (6) This section does not apply to the declarant's exercise of
35 any development right to subdivide or combine a unit previously
36 created.

37 NEW SECTION. **Sec. 215.** MONUMENTS AS BOUNDARIES. (1) The
38 physical boundaries of a unit located in a building containing or
39 comprising that unit constructed or reconstructed in substantial

1 accordance with the map, or amendment to the map, are its boundaries
2 rather than any boundaries shown on the map, regardless of settling
3 or lateral movement of the unit or of any building containing or
4 comprising the unit, or of any minor variance between boundaries of
5 the unit or any building containing or comprising the unit shown on
6 the map.

7 (2) This section does not relieve a unit owner from liability in
8 case of the unit owner's willful misconduct or relieve a declarant or
9 any other person from liability for failure to adhere to the map.

10 NEW SECTION. **Sec. 216.** USE FOR SALES PURPOSES. (1) A declarant
11 may maintain sales offices, management offices, and models in units
12 or on common elements in the common interest community only if the
13 declaration so provides. In a cooperative or condominium, any sales
14 office, management office, or model not designated a unit by the
15 declaration is a common element.

16 (2) When a declarant no longer owns a unit or has the right to
17 create a unit in the common interest community, the declarant ceases
18 to have any rights under this section unless the unit is removed
19 promptly from the common interest community in accordance with a
20 right to remove reserved in the declaration.

21 (3) Subject to any limitations in the declaration, a declarant
22 may maintain signs in or on units owned by the declarant or the
23 common elements advertising the common interest community.

24 (4) This section is subject to the provisions of other state law
25 and local ordinances.

26 NEW SECTION. **Sec. 217.** EASEMENT AND USE RIGHTS. (1) Subject to
27 the declaration, a declarant has an easement through the common
28 elements as may be reasonably necessary for the purpose of
29 discharging the declarant's obligations or exercising special
30 declarant rights, whether arising under this chapter or reserved in
31 the declaration.

32 (2) Subject to sections 302(2)(f) and 314 of this act, the unit
33 owners have an easement in the common elements for access to their
34 units.

35 (3) Subject to the declaration and rules, the unit owners have a
36 right to use the common elements that are not limited common elements
37 for the purposes for which the common elements were intended.

1 NEW SECTION. **Sec. 218.** AMENDMENT OF DECLARATION. (1)(a) Except
2 in cases of amendments that may be executed by: A declarant under
3 subsection (10) of this section, sections 209(2), 210(12), 211, or
4 304(2)(d) of this act; the association under section 106, 207(5),
5 209(3), 213(1), or 214 of this act or subsection (11) of this
6 section; or certain unit owners under section 209(2), 213(1), 214(2),
7 or 219(2) of this act, and except as limited by subsections (4), (6),
8 (7), (8), and (12) of this section, the declaration may be amended
9 only by vote or agreement of unit owners of units to which at least
10 sixty-seven percent of the votes in the association are allocated,
11 unless the declaration specifies a different percentage not to exceed
12 ninety percent for all amendments or for specific subjects of
13 amendment. For purposes of this section, "amendment" means any change
14 to the declaration, including adding, removing, or modifying
15 restrictions contained in a declaration.

16 (b) If the declaration requires the approval of another person as
17 a condition of its effectiveness, the amendment is not valid without
18 that approval; however, any right of approval may not result in an
19 expansion of special declarant rights reserved in the declaration or
20 violate any other section of this chapter, including sections 103,
21 111, 112, and 113 of this act.

22 (2) In the absence of fraud, any action to challenge the validity
23 of an amendment adopted by the association may not be brought more
24 than one year after the amendment is recorded.

25 (3) Every amendment to the declaration must be recorded in every
26 county in which any portion of the common interest community is
27 located and is effective only upon recordation. An amendment, except
28 an amendment pursuant to section 213(1) of this act, must be indexed
29 in the grantee's index in the name of the common interest community
30 and the association and in the grantor's index in the name of the
31 parties executing the amendment.

32 (4) Except to the extent expressly permitted or required under
33 this chapter, an amendment may not create or increase special
34 declarant rights, increase the number of units, change the boundaries
35 of any unit, or change the allocated interests of a unit without the
36 consent of unit owners to which at least ninety percent of the votes
37 in the association are allocated, including the consent of any unit
38 owner of a unit, the boundaries of which or allocated interest of
39 which is changed by the amendment.

1 (5) Amendments to the declaration required to be executed by the
2 association must be executed by any authorized officer of the
3 association who must certify in the amendment that it was properly
4 adopted.

5 (6) The declaration may require a higher percentage of unit owner
6 approval for an amendment that is intended to prohibit or materially
7 restrict the uses of units permitted under the applicable zoning
8 ordinances, or to protect the interests of members of a defined class
9 of owners, or to protect other legitimate interests of the
10 association or its members. Subject to subsection (13) of this
11 section, a declaration may not require, as a condition for amendment,
12 approval by more than ninety percent of the votes in the association
13 or by all but one unit owner, whichever is less. An amendment
14 approved under this subsection must provide reasonable protection for
15 a use permitted at the time the amendment was adopted.

16 (7) The time limits specified in the declaration pursuant to
17 section 206(1)(g) of this act within which reserved development
18 rights must be exercised may be extended, and additional development
19 rights may be created, if persons entitled to cast at least eighty
20 percent of the votes in the association, including eighty percent of
21 the votes allocated to units not owned by the declarant, agree to
22 that action. The agreement is effective thirty days after an
23 amendment to the declaration reflecting the terms of the agreement is
24 recorded unless all the persons holding the affected special
25 declarant rights, or security interests in those rights, record a
26 written objection within the thirty-day period, in which case the
27 amendment is void, or consent in writing at the time the amendment is
28 recorded, in which case the amendment is effective when recorded.

29 (8) A provision in the declaration creating special declarant
30 rights that have not expired may not be amended without the consent
31 of the declarant.

32 (9) If any provision of this chapter or the declaration requires
33 the consent of a holder of a security interest in a unit as a
34 condition to the effectiveness of an amendment to the declaration,
35 the consent is deemed granted if a refusal to consent in a record is
36 not received by the association within sixty days after the
37 association delivers notice of the proposed amendment to the holder
38 at an address for notice provided by the holder or mails the notice
39 to the holder by certified mail, return receipt requested, at that
40 address. If the holder has not provided an address for notice to the

1 association, the association must provide notice to the address in
2 the security interest of record.

3 (10) Upon thirty-day advance notice to unit owners, the declarant
4 may, without a vote of the unit owners or approval by the board,
5 unilaterally adopt, execute, and record a corrective amendment or
6 supplement to the governing documents to correct a mathematical
7 mistake, an inconsistency, or a scrivener's error, or clarify an
8 ambiguity in the governing documents with respect to an objectively
9 verifiable fact including, without limitation, recalculating the
10 undivided interest in the common elements, the liability for common
11 expenses, or the number of votes in the unit owners' association
12 appertaining to a unit, within five years after the recordation or
13 adoption of the governing document containing or creating the
14 mistake, inconsistency, error, or ambiguity. Any such amendment or
15 supplement may not materially reduce what the obligations of the
16 declarant would have been if the mistake, inconsistency, error, or
17 ambiguity had not occurred.

18 (11) Upon thirty-day advance notice to unit owners, the
19 association may, upon a vote of two-thirds of the members of the
20 board, without a vote of the unit owners, adopt, execute, and record
21 an amendment to the declaration for the following purposes:

22 (a) To correct or supplement the governing documents as provided
23 in subsection (10) of this section;

24 (b) To remove language and otherwise amend as necessary to effect
25 the removal of language purporting to forbid or restrict the
26 conveyance, encumbrance, occupancy, or lease to: Individuals of a
27 specified race, creed, color, sex, or national origin; individuals
28 with sensory, mental, or physical disabilities; and families with
29 children or any other legally protected classification;

30 (c) To remove language and otherwise amend as necessary to effect
31 the removal of language that purports to impose limitations on the
32 power of the association beyond the limit authorized in section
33 302(1)(u) of this act to deal with the declarant that are more
34 restrictive than the limitations imposed on the power of the
35 association to deal with other persons; and

36 (d) To remove any other language and otherwise amend as necessary
37 to effect the removal of language purporting to limit the rights of
38 the association or its unit owners in direct conflict with this
39 chapter.

1 (12) If the declaration requires that amendments to the
2 declaration may be adopted only if the amendment is signed by a
3 specified number or percentage of unit owners and if the common
4 interest community contains more than twenty units, such requirement
5 is deemed satisfied if the association obtains such signatures or the
6 vote or agreement of unit owners holding such number or percentage.

7 (13)(a) If the declaration requires that amendments to the
8 declaration may be adopted only by the vote or agreement of unit
9 owners of units to which more than sixty-seven percent of the votes
10 in the association are allocated, and the percentage required is
11 otherwise consistent with this chapter, the amendment is approved if:

12 (i) The approval of the percentage specified in the declaration
13 is obtained;

14 (ii)(A) Unit owners of units to which at least sixty-seven
15 percent of the votes in the association are allocated vote for or
16 agree to the proposed amendment;

17 (B) A unit owner does not vote against the proposed amendment;
18 and

19 (C) Notice of the proposed amendment, including notice that the
20 failure of a unit owner to object may result in the adoption of the
21 amendment, is delivered to the unit owners holding the votes in the
22 association that have not voted or agreed to the proposed amendment
23 and no written objection to the proposed amendment is received by the
24 association within sixty days after the association delivers notice;
25 or

26 (iii)(A) Unit owners of units to which at least sixty-seven
27 percent of the votes in the association are allocated vote for or
28 agree to the proposed amendment;

29 (B) At least one unit owner objects to the proposed amendment;
30 and

31 (C) Pursuant to an action brought by the association in the
32 county in which the common interest community is situated against all
33 objecting unit owners, the court finds, under the totality of
34 circumstances including, but not limited to, the subject matter of
35 the amendment, the purpose of the amendment, the percentage voting to
36 approve the amendment, and the percentage objecting to the amendment,
37 that the amendment is reasonable.

38 (b) If the declaration requires the affirmative vote or approval
39 of any particular unit owner or class of unit owners as a condition

1 of its effectiveness, the amendment is not valid without that vote or
2 approval.

3 NEW SECTION. **Sec. 219.** TERMINATION OF COMMON INTEREST
4 COMMUNITY. (1) Except for a taking of all the units by condemnation,
5 foreclosure against an entire cooperative or a security interest that
6 has priority over the declaration, or in the circumstances described
7 in section 226 of this act, a common interest community may be
8 terminated only by agreement of unit owners of units to which at
9 least eighty percent of the votes in the association are allocated,
10 or any larger percentage the declaration specifies, and with any
11 other approvals required by the declaration. The declaration may
12 specify a smaller percentage only if all of the units are restricted
13 exclusively to nonresidential uses.

14 (2) An agreement to terminate must be evidenced by the execution
15 of a termination agreement, or ratifications of the agreement, in the
16 same manner as a deed, by the requisite number of unit owners. The
17 termination agreement must specify a date after which the agreement
18 is void unless it is recorded before that date. A termination
19 agreement and all ratifications of the agreement must be recorded in
20 every county in which a portion of the common interest community is
21 situated and is effective only upon recordation. An agreement to
22 terminate may only be amended by complying with the requirements of
23 this subsection and subsection (1) of this section.

24 (3)(a) In the case of a condominium, plat community, or
25 miscellaneous community containing only units having horizontal
26 boundaries between units, a termination agreement may provide that
27 all of the common elements and units of the common interest community
28 must be sold following termination. If, pursuant to the agreement,
29 any real estate in the common interest community is to be sold
30 following termination, the termination agreement must set forth the
31 minimum purchase price, manner of payment, and outside closing date,
32 and may include any other terms of the sale.

33 (b) In the case of a condominium, plat community, or
34 miscellaneous community containing no units having horizontal
35 boundaries between units, a termination agreement may provide for
36 sale of the common elements that are not necessary for the
37 habitability of a unit, but it may not require that any unit be sold
38 following termination, unless the declaration as originally recorded
39 provided otherwise or all the unit owners consent to the sale. If,

1 pursuant to the agreement, any real estate in the common interest
2 community is to be sold following termination, the termination
3 agreement must set forth the minimum purchase price, manner of
4 payment, and outside closing date, and may include any other terms of
5 sale.

6 (c) In the case of a condominium, plat community, or
7 miscellaneous community containing some units having horizontal
8 boundaries between units and some units without horizontal boundaries
9 between units, a termination agreement may provide for sale of the
10 common elements that are not necessary for the habitability of a
11 unit, but it may not require that any unit be sold following
12 termination, unless the declaration as originally recorded provided
13 otherwise or all the unit owners of units in the building to be sold
14 consent to the sale. If, pursuant to the agreement, any real estate
15 in the common interest community is to be sold following termination,
16 the termination agreement must set forth the minimum purchase price,
17 manner of payment, and outside closing date, and may include any
18 other terms of sale.

19 (4)(a) The association, on behalf of the unit owners, may
20 contract for the sale of real estate in a common interest community,
21 but the contract is not binding on the unit owners until approved
22 pursuant to subsections (1) and (2) of this section. If any real
23 estate is to be sold following termination, title to that real
24 estate, upon termination, vests in the association as trustee for the
25 holders of all interests in the units. Thereafter, the association
26 has all powers necessary and appropriate to effect the sale. Until
27 the sale has been concluded and the proceeds of the sale distributed,
28 the association continues in existence with all powers it had before
29 termination.

30 (b) Proceeds of the sale must be distributed to unit owners and
31 lienholders as their interests may appear, in accordance with
32 subsections (6) and (8) of this section. Unless otherwise specified
33 in the termination agreement, as long as the association holds title
34 to the real estate, each unit owner and the unit owner's successors
35 in interest have an exclusive right to occupancy of the portion of
36 the real estate that formerly constituted the unit. During the period
37 of that occupancy, each unit owner and the unit owner's successors in
38 interest remain liable for all assessments and other obligations
39 imposed on unit owners under this chapter or the declaration.

1 (5) In a condominium, plat community, or miscellaneous community,
2 if any portion of the real estate constituting the common interest
3 community is not to be sold following termination, title to those
4 portions of the real estate constituting the common elements and, in
5 a common interest community containing units having horizontal
6 boundaries between units described in the declaration, title to all
7 the real estate containing such boundaries in the common interest
8 community vests in the unit owners upon termination as tenants in
9 common in proportion to their respective interests as provided in
10 subsection (8) of this section, and liens on the units shift
11 accordingly. While the tenancy in common exists, each unit owner and
12 the unit owner's successors in interest have an exclusive right to
13 occupancy of the portion of the real estate that formerly constituted
14 the unit.

15 (6)(a) Following termination of the common interest community,
16 the proceeds of a sale of real estate, together with the assets of
17 the association, are held by the association as trustee for unit
18 owners and holders of liens on the units as their interests may
19 appear.

20 (b) Following termination of a condominium, plat community, or
21 miscellaneous community, creditors of the association holding liens
22 on the units that were recorded or perfected under RCW 4.64.020
23 before termination may enforce those liens in the same manner as any
24 lienholder.

25 (c) All other creditors of the association are to be treated as
26 if they had perfected liens on the units immediately before
27 termination.

28 (7) In a cooperative, the declaration may provide that all
29 creditors of the association have priority over any interests of unit
30 owners and creditors of unit owners. In that event, following
31 termination, creditors of the association holding liens on the
32 cooperative that were recorded or perfected under RCW 4.64.020 before
33 termination may enforce their liens in the same manner as any
34 lienholder, and any other creditor of the association is to be
35 treated as if the creditor had perfected a lien against the
36 cooperative immediately before termination. Unless the declaration
37 provides that all creditors of the association have that priority:

38 (a) The lien of each creditor of the association that was
39 perfected against the association before termination becomes, upon

1 termination, a lien against each unit owner's interest in the unit as
2 of the date the lien was perfected;

3 (b) Any other creditor of the association must be treated, upon
4 termination, as if the creditor had perfected a lien against each
5 unit owner's interest immediately before termination;

6 (c) The amount of the lien of an association's creditor described
7 in (a) and (b) of this subsection against each of the unit owners'
8 interest must be proportionate to the ratio that each unit's common
9 expense liability bears to the common expense liability of all of the
10 units;

11 (d) The lien of each creditor of each unit owner that was
12 perfected before termination continues as a lien against that unit
13 owner's unit as of the date the lien was perfected;

14 (e) The assets of the association must be distributed to all unit
15 owners and all lienholders as their interests may appear in the order
16 described in this subsection; and

17 (f) Creditors of the association are not entitled to payment from
18 any unit owner in excess of the amount of the creditor's lien against
19 that unit owner's interest.

20 (8) The respective interests of unit owners referred to in
21 subsections (4), (5), (6), and (7) of this section are as follows:

22 (a) Except as otherwise provided in (b) of this subsection, the
23 respective interests of unit owners are the fair market values of
24 their units, allocated interests, and any limited common elements
25 immediately before the termination, as determined by one or more
26 independent appraisers selected by the association. The decision of
27 the independent appraisers must be distributed to the unit owners and
28 becomes final unless disapproved within thirty days after
29 distribution by unit owners of units to which twenty-five percent of
30 the votes in the association are allocated. The proportion of any
31 unit owner's interest to that of all unit owners is determined by
32 dividing the fair market value of that unit owner's unit and its
33 allocated interests by the total fair market values of all the units
34 and their allocated interests.

35 (b) If any unit or any limited common element is destroyed to the
36 extent that an appraisal of the fair market value of the unit or
37 limited common element before destruction cannot be made, the
38 interests of all unit owners are:

39 (i) In a condominium, their respective common element interests
40 immediately before the termination;

1 (ii) In a cooperative, their respective ownership interests
2 immediately before the termination; and

3 (iii) In a plat community or miscellaneous community, their
4 respective common expense liabilities immediately before the
5 termination.

6 (9) In a condominium, plat community, or miscellaneous community,
7 except as otherwise provided in subsection (10) of this section,
8 foreclosure or enforcement of a lien or encumbrance against the
9 entire common interest community does not terminate the common
10 interest community, and foreclosure or enforcement of a lien or
11 encumbrance against a portion of the common interest community, other
12 than withdrawable real estate, does not withdraw that portion from
13 the common interest community. Foreclosure or enforcement of a lien
14 or encumbrance against withdrawable real estate, or against common
15 elements that have been subjected to a security interest by the
16 association under section 314 of this act, does not withdraw that
17 real estate from the common interest community, but the person taking
18 title to the real estate may require from the association, upon
19 request, an amendment excluding the real estate from the common
20 interest community.

21 (10) In a condominium, plat community, or miscellaneous
22 community, if a lien or encumbrance against a portion of the real
23 estate comprising the common interest community has priority over the
24 declaration and the lien or encumbrance has not been partially
25 released, the parties foreclosing the lien or encumbrance, upon
26 foreclosure, may record an instrument excluding the real estate
27 subject to that lien or encumbrance from the common interest
28 community.

29 (11) The right of partition under chapter 7.52 RCW is suspended
30 if an agreement to sell property is provided for in the termination
31 agreement pursuant to subsection (3)(a), (b), or (c) of this section.
32 The suspension of the right to partition continues unless a binding
33 obligation to sell does not exist three months after the recording of
34 the termination agreement, the binding sale agreement is terminated,
35 or one year after the termination agreement is recorded, whichever
36 occurs first.

37 NEW SECTION. **Sec. 220.** RIGHTS OF SECURED LENDERS. (1) The
38 declaration may require that all or a specified number or percentage
39 of the lenders who hold security interests encumbering the units or

1 who have extended credit to the association approve specified actions
2 of the unit owners or the association as a condition to the
3 effectiveness of those actions, but no requirement for approval may
4 operate to:

5 (a) Deny or delegate control over the general administrative
6 affairs of the association by the unit owners or the board;

7 (b) Prevent the association or the board from commencing,
8 intervening in, or settling any litigation or proceeding; or

9 (c) Prevent any insurance trustee or the association from
10 receiving and distributing any insurance proceeds except pursuant to
11 section 315 of this act.

12 (2) With respect to any action requiring the consent of a
13 specified number or percentage of mortgagees, the consent of only
14 eligible mortgagees holding a first lien security interest need be
15 obtained and the percentage must be based upon the votes attributable
16 to units with respect to which eligible mortgagees have an interest.

17 (3) A lender who has extended credit to an association secured by
18 an assignment of income or an encumbrance on the common elements may
19 enforce its security agreement in accordance with its terms, subject
20 to the requirements of this chapter and other law. A requirement that
21 the association must deposit its periodic common charges before
22 default with the lender to which the association's income has been
23 assigned, or increase its common charges at the lender's direction by
24 amounts reasonably necessary to amortize the loan in accordance with
25 its terms, does not violate the prohibitions on lender approval
26 contained in subsection (1) of this section.

27 NEW SECTION. **Sec. 221.** MASTER ASSOCIATIONS. (1) If the
28 declaration provides that any of the powers described in section 302
29 of this act are to be exercised by or may be delegated to a for-
30 profit or nonprofit corporation or limited liability company that
31 exercises those or other powers on behalf of one or more common
32 interest communities or for the benefit of the unit owners of one or
33 more common interest communities, all provisions of this chapter
34 applicable to unit owners associations apply to any such corporation
35 or limited liability company, except as modified by this section.

36 (2) Unless it is acting in the capacity of an association
37 described in section 301 of this act, a master association may
38 exercise the powers set forth in section 302(1)(b) of this act only
39 to the extent expressly permitted in the declarations of common

1 interest communities that are part of the master association or
2 expressly described in the delegations of power from those common
3 interest communities to the master association.

4 (3) If the declaration of any common interest community provides
5 that the board may delegate certain powers to a master association,
6 the board is not liable for the acts or omissions of the master
7 association with respect to those powers following delegation.

8 (4) The rights and responsibilities of unit owners with respect
9 to the unit owners' association set forth in sections 303, 310, 311,
10 312, 314, and 322 of this act apply in the conduct of the affairs of
11 a master association only to persons who elect the board of a master
12 association, whether or not those persons are otherwise unit owners
13 within the meaning of this chapter.

14 (5) If a master association is also an association described in
15 section 301 of this act, the organizational documents of the master
16 association and the declaration of each common interest community,
17 the powers of which are assigned by the declaration or delegated to
18 the master association, may provide that the board of the master
19 association must be elected after the period of declarant control in
20 any of the following ways:

21 (a) All unit owners of all common interest communities subject to
22 the master association may elect all members of the master
23 association's board;

24 (b) All board members of all common interest communities subject
25 to the master association may elect all members of the master
26 association's board;

27 (c) All unit owners of each common interest community subject to
28 the master association may elect specified members of the master
29 association's board; or

30 (d) All board members of each common interest community subject
31 to the master association may elect specified members of the master
32 association's board.

33 NEW SECTION. **Sec. 222.** DELEGATION OF POWER TO SUBASSOCIATIONS.

34 (1)(a) If the declaration provides that any of the powers described
35 in section 302 of this act are to be exercised by or may be delegated
36 to a for-profit corporation or limited liability company that
37 exercises those or other powers on behalf of unit owners owning less
38 than all of the units in a common interest community, and if those
39 unit owners share the exclusive use of one or more limited common

1 elements within the common interest community or share some property
2 or other interest in the common interest community in common that is
3 not shared by the remainder of the unit owners in the common interest
4 community, all provisions of this chapter applicable to unit owners
5 associations apply to any such corporation or limited liability
6 company, except as modified under this section.

7 (b) The delegation of powers to a subassociation must not be used
8 to discriminate in favor of units owned by the declarant or an
9 affiliate of the declarant.

10 (2) A subassociation may exercise the powers set forth in section
11 302 of this act only to the extent expressly permitted by the
12 declaration of the common interest community of which the units in
13 the subassociation are a part of or expressly described in the
14 delegations of power from that common interest community to the
15 subassociation.

16 (3) If the declaration of any common interest community contains
17 a delegation of certain powers to a subassociation, or provides that
18 the board of the common interest community may make such a
19 delegation, the board members are not liable for the acts or
20 omissions of the subassociation with respect to those powers so
21 exercised by the subassociation following delegation.

22 (4) The rights and responsibilities of unit owners with respect
23 to the unit owners association set forth in sections 301 through 321
24 of this act apply to the conduct of the affairs of a subassociation.

25 (5) Notwithstanding section 304(4) of this act, the board of the
26 subassociation must be elected after any period of declarant control
27 by the unit owners of all of the units in the common interest
28 community subject to the subassociation.

29 (6) The declaration of the common interest community creating the
30 subassociation may provide that the authority of the board of the
31 subassociation is exclusive with regard to the powers and
32 responsibilities delegated to it. In the alternative, the declaration
33 may provide as to some or all such powers that the authority of the
34 board of a subassociation is concurrent with and subject to the
35 authority of the board of the unit owners association, in which case
36 the declaration must also contain standards and procedures for the
37 review of the decisions of the board of the subassociation and
38 procedures for resolving any dispute between the board of the unit
39 owners association and the board of the subassociation.

1 NEW SECTION. **Sec. 223.** MERGER OR CONSOLIDATION OF COMMON
2 INTEREST COMMUNITIES. (1) Any two or more common interest communities
3 of the same form of ownership, by agreement of the unit owners as
4 provided in subsection (2) of this section, may be merged or
5 consolidated into a single common interest community. In the event of
6 a merger or consolidation, unless the agreement otherwise provides,
7 the resultant common interest community is the legal successor, for
8 all purposes, of all of the preexisting common interest communities,
9 and the operations and activities of all associations of the
10 preexisting common interest communities are merged or consolidated
11 into a single association that holds all powers, rights, obligations,
12 assets, and liabilities of all preexisting associations.

13 (2) An agreement of two or more common interest communities to
14 merge or consolidate pursuant to subsection (1) of this section must
15 be evidenced by an agreement prepared, executed, recorded, and
16 certified by the president of the association of each of the
17 preexisting common interest communities following approval by unit
18 owners of units to which are allocated the percentage of votes in
19 each common interest community required to terminate that common
20 interest community. The agreement must be recorded in every county in
21 which a portion of the common interest community is located and is
22 not effective until recorded.

23 (3) Every merger or consolidation agreement, and every amendment
24 providing for a merger or consolidation made by a declarant when
25 exercising a special declarant right, must identify the declaration
26 that will apply to the resultant common interest community and
27 provide for the reallocation of allocated interests among the units
28 of the resultant common interest community either (a) by stating the
29 reallocations or the formulas upon which they are based or (b) by
30 stating the percentage of overall allocated interests of the
31 resultant common interest community that are allocated to all of the
32 units comprising each of the preexisting common interest communities,
33 and providing that the portion of the percentages allocated to each
34 unit formerly comprising a part of the preexisting common interest
35 community is equal to the percentages of allocated interests
36 allocated to that unit by the declaration of the preexisting common
37 interest community.

38 NEW SECTION. **Sec. 224.** ADDITION OF UNSPECIFIED REAL ESTATE. In
39 a plat community or miscellaneous community, if the right is

1 originally reserved in the declaration, the declarant, in addition to
2 any other development right, may amend the declaration at any time
3 during as many years as are specified in the declaration for adding
4 additional real estate to the plat community or miscellaneous
5 community without describing the location of that real estate in the
6 original declaration. The amount of real estate added to the plat
7 community or miscellaneous community pursuant to this section may not
8 exceed ten percent of the real estate described in section 206(1)(b)
9 of this act together with any real estate that is described in the
10 declaration for addition to the plat community or miscellaneous
11 community, and the declarant may not increase the number of units in
12 the plat community or miscellaneous community beyond the number
13 stated in the original declaration pursuant to section 206(1)(c) of
14 this act.

15 NEW SECTION. **Sec. 225.** LARGE SCALE COMMUNITIES. (1) The
16 declaration for a common interest community may state that it is a
17 large scale community if the declarant has reserved the development
18 right to create at least five hundred units that may be used for
19 residential purposes and, at the time of the reservation, that
20 declarant owns or controls more than five hundred acres on which the
21 units may be built.

22 (2) If the requirements of subsection (1) of this section are
23 satisfied, the declaration for the large scale community need not
24 state a maximum number of units and need not contain any of the
25 information required under section 206(1) (c) through (n) of this act
26 until the declaration is amended under subsection (3) of this
27 section.

28 (3) When each unit in a large scale community is conveyed to a
29 purchaser, the declaration must contain:

30 (a) A sufficient legal description of the unit and all portions
31 of the large scale community in which any other units have been
32 conveyed to a purchaser; and

33 (b) All the information required under section 206(1) (c) through
34 (n) of this act with respect to that real estate.

35 (4) The only real estate in a large scale community subject to
36 this chapter are units that have been made subject to the declaration
37 or that are being offered for sale and any other real estate
38 described pursuant to subsection (3) of this section. Other real
39 estate that is or may become part of the large scale community is

1 only subject to other law and to any other restrictions and
2 limitations that appear of record.

3 (5) If the public offering statement conspicuously identifies the
4 fact that the community is a large scale community, the disclosure
5 requirements contained in sections 401 through 420 of this act apply
6 only to units that have been made subject to the declaration or are
7 being offered for sale in connection with the public offering
8 statement and to any other real estate described pursuant to
9 subsection (3) of this section.

10 (6) Limitations in this chapter on the addition of unspecified
11 real estate do not apply to a large scale community.

12 (7) The period of declarant control of the association for a
13 large scale community terminates in accordance with any conditions
14 specified in the declaration or otherwise at the time the declarant,
15 in a recorded instrument and after giving notice in a record to the
16 board of the association, voluntarily surrenders all rights to
17 control the activities of the association.

18 NEW SECTION. **Sec. 226.** JUDICIAL TERMINATION. (1) If
19 substantially all the units in a common interest community have been
20 destroyed or abandoned or are uninhabitable and the available methods
21 for giving notice under section 324 of this act of a meeting of unit
22 owners to consider termination under section 219 of this act will not
23 likely result in receipt of the notice, the board or any other
24 interested person may commence an action seeking to terminate the
25 common interest community in the superior court for any county in
26 which a portion of the common interest community is located. If any
27 portion of the common interest community is located in a county other
28 than the county in which the action is commenced, the person
29 commencing the action must record a copy of the judgment in the other
30 county.

31 (2) During the pendency of the action, the court may issue
32 whatever orders it considers appropriate, including appointment of a
33 receiver. After a hearing, the court may terminate the common
34 interest community or reduce its size and may issue any other order
35 the court considers to be in the best interest of the unit owners and
36 persons holding an interest in the common interest community.

37 **III. MANAGEMENT OF THE COMMON INTEREST COMMUNITY**

1 NEW SECTION. **Sec. 301.** ORGANIZATION OF UNIT OWNERS ASSOCIATION.

2 (1) A unit owners association must be organized no later than the
3 date the first unit in the common interest community is conveyed to a
4 purchaser.

5 (2) The membership of the association at all times consists
6 exclusively of all unit owners or, following termination of the
7 common interest community, of all former unit owners entitled to
8 distributions of proceeds under section 219 of this act or their
9 heirs, successors, or assigns.

10 (3) The association must have a board and be organized as a for-
11 profit or nonprofit corporation or limited liability company.

12 (4) In case of any conflict between Title 23B RCW or chapter
13 23.86, 24.03, 24.06, or 25.15 RCW and this chapter, this chapter
14 controls.

15 NEW SECTION. **Sec. 302.** POWERS AND DUTIES OF UNIT OWNERS
16 ASSOCIATION. (1) An association must:

17 (a) Adopt organizational documents;

18 (b) Adopt budgets as provided in section 326 of this act;

19 (c) Impose assessments for common expenses and specially
20 allocated expenses on the unit owners as provided in sections 117(1)
21 and 326 of this act;

22 (d) Prepare financial statements as provided in section 327 of
23 this act; and

24 (e) Deposit and maintain the funds of the association in accounts
25 as provided in section 327 of this act.

26 (2) Except as provided otherwise in subsection (4) of this
27 section and subject to the provisions of the declaration, the
28 association may:

29 (a) Amend organizational documents and adopt and amend rules;

30 (b) Amend budgets under section 326 of this act;

31 (c) Hire and discharge managing agents and other employees,
32 agents, and independent contractors;

33 (d) Institute, defend, or intervene in litigation or in
34 arbitration, mediation, or administrative proceedings or any other
35 legal proceeding in its own name on behalf of itself or two or more
36 unit owners on matters affecting the common interest community;

37 (e) Make contracts and incur liabilities subject to subsection
38 (4) of this section;

1 (f) Regulate the use, maintenance, repair, replacement, and
2 modification of common elements;

3 (g) Cause additional improvements to be made as a part of the
4 common elements;

5 (h) Acquire, hold, encumber, and convey in its own name any
6 right, title, or interest to real estate or personal property, but:

7 (i) Common elements in a condominium, plat community, or
8 miscellaneous community may be conveyed or subjected to a security
9 interest pursuant to section 314 of this act only; and

10 (ii) Part of a cooperative may be conveyed, or all or part of a
11 cooperative may be subjected to a security interest pursuant to
12 section 314 of this act only;

13 (i) Grant easements, leases, licenses, and concessions through or
14 over the common elements and petition for or consent to the vacation
15 of streets and alleys;

16 (j) Impose and collect any reasonable payments, fees, or charges
17 for:

18 (i) The use, rental, or operation of the common elements, other
19 than limited common elements described in section 203 (1)(b) and (3)
20 of this act;

21 (ii) Services provided to unit owners; and

22 (iii) Moving in, moving out, or transferring title to units to
23 the extent provided for in the declaration;

24 (k) Collect assessments and impose and collect reasonable charges
25 for late payment of assessments;

26 (l) Enforce the governing documents and, after notice and
27 opportunity to be heard, impose and collect reasonable fines for
28 violations of the governing documents in accordance with a previously
29 established schedule of fines adopted by the board of directors and
30 furnished to the owners;

31 (m) Impose and collect reasonable charges for the preparation and
32 recordation of amendments to the declaration, resale certificates
33 required under section 409 of this act, lender questionnaires, or
34 statements of unpaid assessments;

35 (n) Provide for the indemnification of its officers and board
36 members, to the extent provided in RCW 23B.17.030;

37 (o) Maintain directors' and officers' liability insurance;

38 (p) Subject to subsection (4) of this section, assign its right
39 to future income, including the right to receive assessments;

1 (q) Join in a petition for the establishment of a parking and
2 business improvement area, participate in the ratepayers' board or
3 other advisory body set up by the legislative authority for operation
4 of a parking and business improvement area, and pay special
5 assessments levied by the legislative authority on a parking and
6 business improvement area encompassing the condominium property for
7 activities and projects that benefit the condominium directly or
8 indirectly;

9 (r) Establish and administer a reserve account as described in
10 section 328 of this act;

11 (s) Prepare a reserve study as described in section 330 of this
12 act;

13 (t) Exercise any other powers conferred by the declaration or
14 organizational documents;

15 (u) Exercise all other powers that may be exercised in this state
16 by the same type of entity as the association;

17 (v) Exercise any other powers necessary and proper for the
18 governance and operation of the association;

19 (w) Require that disputes between the association and unit owners
20 or between two or more unit owners regarding the common interest
21 community, other than those governed by chapter 64.50 RCW, be
22 submitted to nonbinding alternative dispute resolution as a
23 prerequisite to commencement of a judicial proceeding; and

24 (x) Suspend any right or privilege of a unit owner who fails to
25 pay an assessment, but may not:

26 (i) Deny a unit owner or other occupant access to the owner's
27 unit;

28 (ii) Suspend a unit owner's right to vote; or

29 (iii) Withhold services provided to a unit or a unit owner by the
30 association if the effect of withholding the service would be to
31 endanger the health, safety, or property of any person.

32 (3) The declaration may not limit the power of the association
33 beyond the limit authorized in subsection (2)(w) of this section to:

34 (a) Deal with the declarant if the limit is more restrictive than
35 the limit imposed on the power of the association to deal with other
36 persons; or

37 (b) Institute litigation or an arbitration, mediation, or
38 administrative proceeding against any person, subject to the
39 following:

1 (i) The association must comply with chapter 64.50 RCW, if
2 applicable, before instituting any proceeding described in chapter
3 64.50 RCW in connection with construction defects; and

4 (ii) The board must promptly provide notice to the unit owners of
5 any legal proceeding in which the association is a party other than
6 proceedings involving enforcement of rules or to recover unpaid
7 assessments or other sums due the association.

8 (4) Any borrowing by an association that is to be secured by an
9 assignment of the association's right to receive future income
10 pursuant to subsection (2)(e) and (p) of this section requires
11 ratification by the unit owners as provided in this subsection.

12 (a) The board must provide notice of the intent to borrow to all
13 unit owners. The notice must include the purpose and maximum amount
14 of the loan, the estimated amount and term of any assessments
15 required to repay the loan, a reasonably detailed projection of how
16 the money will be expended, and the interest rate and term of the
17 loan.

18 (b) In the notice, the board must set a date for a meeting of the
19 unit owners, which must not be less than fourteen and no more than
20 sixty days after mailing of the notice, to consider ratification of
21 the borrowing.

22 (c) Unless at that meeting, whether or not a quorum is present,
23 unit owners holding a majority of the votes in the association or any
24 larger percentage specified in the declaration reject the proposal to
25 borrow funds, the association may proceed to borrow the funds in
26 substantial accordance with the terms contained in the notice.

27 (5) If a tenant of a unit owner violates the governing documents,
28 in addition to exercising any of its powers against the unit owner,
29 the association may:

30 (a) Exercise directly against the tenant the powers described in
31 subsection (2)(1) of this section;

32 (b) After giving notice to the tenant and the unit owner and an
33 opportunity to be heard, levy reasonable fines against the tenant and
34 unit owner for the violation; and

35 (c) Enforce any other rights against the tenant for the violation
36 that the unit owner as the landlord could lawfully have exercised
37 under the lease or that the association could lawfully have exercised
38 directly against the unit owner, or both; but the association does
39 not have the right to terminate a lease or evict a tenant unless
40 permitted by the declaration. The rights referred to in this

1 subsection (5)(c) may be exercised only if the tenant or unit owner
2 fails to cure the violation within ten days after the association
3 notifies the tenant and unit owner of that violation.

4 (6) Unless a lease otherwise provides, this section does not:

5 (a) Affect rights that the unit owner has to enforce the lease or
6 that the association has under other law; or

7 (b) Permit the association to enforce a lease to which it is not
8 a party in the absence of a violation of the governing documents.

9 (7) The board may determine whether to take enforcement action by
10 exercising the association's power to impose sanctions or commencing
11 an action for a violation of the governing documents, including
12 whether to compromise any claim for unpaid assessments or other claim
13 made by or against it.

14 (8) The board does not have a duty to take enforcement action if
15 it determines that, under the facts and circumstances presented:

16 (a) The association's legal position does not justify taking any
17 or further enforcement action;

18 (b) The covenant, restriction, or rule being enforced is, or is
19 likely to be construed as, inconsistent with law;

20 (c) Although a violation may exist or may have occurred, it is
21 not so material as to be objectionable to a reasonable person or to
22 justify expending the association's resources; or

23 (d) It is not in the association's best interests to pursue an
24 enforcement action.

25 (9) The board's decision under subsections (7) and (8) of this
26 section to not pursue enforcement under one set of circumstances does
27 not prevent the board from taking enforcement action under another
28 set of circumstances, but the board may not be arbitrary or
29 capricious in taking enforcement action.

30 NEW SECTION. **Sec. 303.** BOARD MEMBERS, OFFICERS, AND COMMITTEES.

31 (1)(a) Except as provided otherwise in the governing documents,
32 subsection (4) of this section, or other provisions of this chapter,
33 the board may act on behalf of the association.

34 (b) In the performance of their duties, officers and board
35 members must exercise the degree of care and loyalty to the
36 association required of an officer or director of a corporation
37 organized, and are subject to the conflict of interest rules
38 governing directors and officers, under chapter 24.06 RCW. The

1 standards of care and loyalty described in this section apply
2 regardless of the form in which the association is organized.

3 (2)(a) Except as provided otherwise in section 221(5) of this
4 act, effective as of the transition meeting held in accordance with
5 section 304(4) of this act, the board must be comprised of at least
6 three members, at least a majority of whom must be unit owners.
7 However, the number of board members need not exceed the number of
8 units then in the common interest community.

9 (b) Unless the declaration or organizational documents provide
10 for the election of officers by the unit owners, the board must elect
11 the officers.

12 (c) Unless provided otherwise in the declaration or
13 organizational documents, board members and officers must take office
14 upon adjournment of the meeting at which they were elected or
15 appointed or, if not elected or appointed at a meeting, at the time
16 of such election or appointment, and must serve until their successor
17 takes office.

18 (d) In determining the qualifications of any officer or board
19 member of the association, "unit owner" includes, unless the
20 declaration or organizational documents provide otherwise, any board
21 member, officer, member, partner, or trustee of any person, who is,
22 either alone or in conjunction with another person or persons, a unit
23 owner.

24 (e) Any officer or board member of the association who would not
25 be eligible to serve as such if he or she were not a board member,
26 officer, partner in, or trustee of such a person is disqualified from
27 continuing in office if he or she ceases to have any such affiliation
28 with that person or that person would have been disqualified from
29 continuing in such office as a natural person.

30 (3) Except when voting as a unit owner, the declarant may not
31 appoint or elect any person or to serve itself as a voting, ex
32 officio or nonvoting board member following the transition meeting.

33 (4) The board may not, without vote or agreement of the unit
34 owners:

35 (a) Amend the declaration, except as provided in section 218 of
36 this act;

37 (b) Amend the organizational documents of the association;

38 (c) Terminate the common interest community;

39 (d) Elect members of the board, but may fill vacancies in its
40 membership not resulting from removal for the unexpired portion of

1 any term or, if earlier, until the next regularly scheduled election
2 of board members; or

3 (e) Determine the qualifications, powers, duties, or terms of
4 office of board members.

5 (5) The board must adopt budgets as provided in section 326 of
6 this act.

7 (6) Except for committees appointed by the declarant pursuant to
8 special declarant rights, all committees of the association must be
9 appointed by the board. Committees authorized to exercise any power
10 reserved to the board must include at least two board members who
11 have exclusive voting power for that committee. Committees that are
12 not so composed may not exercise the authority of the board and are
13 advisory only.

14 NEW SECTION. **Sec. 304.** PERIOD OF DECLARANT CONTROL—TRANSITION.

15 (1)(a) Subject to subsection (3) of this section, the declaration may
16 provide for a period of declarant control of the association, during
17 which period a declarant, or persons designated by the declarant,
18 may:

19 (i) Appoint and remove the officers and board members; or

20 (ii) Veto or approve a proposed action of the board or
21 association.

22 (b) A declarant may voluntarily surrender the right to appoint
23 and remove officers and board members before the period ends. In that
24 event, the declarant may require that during the remainder of the
25 period, specified actions of the association or board, as described
26 in a recorded amendment to the declaration executed by the declarant,
27 be approved by the declarant before they become effective. A
28 declarant's failure to veto or approve such proposed action in
29 writing within thirty days after receipt of written notice of the
30 proposed action is deemed approval by the declarant.

31 (2) Regardless of the period provided in the declaration, and
32 except as provided in section 225(7) of this act, a period of
33 declarant control terminates no later than the earliest of:

34 (a) Sixty days after conveyance of seventy-five percent of the
35 units that may be created to unit owners other than a declarant;

36 (b) Two years after the last conveyance of a unit, except to a
37 dealer;

38 (c) Two years after any right to add new units was last
39 exercised; or

1 (d) The day the declarant, after giving notice in a record to
2 unit owners, records an amendment to the declaration voluntarily
3 surrendering all rights to appoint and remove officers and board
4 members.

5 (3) Not later than sixty days after conveyance of twenty-five
6 percent of the units that may be created to unit owners other than a
7 declarant, at least one member and not less than twenty-five percent
8 of the members of the board must be elected by unit owners other than
9 the declarant. Not later than sixty days after conveyance of fifty
10 percent of the units that may be created to unit owners other than a
11 declarant, not less than thirty-three and one-third percent of the
12 members of the board must be elected by unit owners other than the
13 declarant. Until such members are elected and take office, the
14 existing board may continue to act on behalf of the association.

15 (4) Within thirty days after the termination of any period of
16 declarant control or, in the absence of such period, not later than a
17 date that is sixty days after the conveyance of seventy-five percent
18 of the units that may be created to unit owners other than a
19 declarant, the board must schedule a transition meeting and provide
20 notice to the unit owners in accordance with section 310(1)(c) of
21 this act. At the transition meeting, the board elected by the unit
22 owners must be elected in accordance with section 303(2) of this act.

23 NEW SECTION. **Sec. 305.** TRANSFER OF ASSOCIATION PROPERTY. (1) No
24 later than thirty days following the date of the transition meeting
25 held pursuant to section 304(4) of this act, the declarant must
26 deliver or cause to be delivered to the board elected at the
27 transition meeting all property of the unit owners and association as
28 required by the declaration or this chapter including, but not
29 limited to:

30 (a) The original or a copy of the recorded declaration and each
31 amendment to the declaration;

32 (b) The organizational documents of the association;

33 (c) The minute books, including all minutes, and other books and
34 records of the association;

35 (d) Current rules and regulations that have been adopted;

36 (e) Resignations of officers and members of the board who are
37 required to resign because the declarant is required to relinquish
38 control of the association;

- 1 (f) The financial records, including canceled checks, bank
2 statements, and financial statements of the association, and source
3 documents from the time of formation of the association through the
4 date of transfer of control to the unit owners;
- 5 (g) Association funds or the control of the funds of the
6 association;
- 7 (h) Originals or copies of any recorded instruments of conveyance
8 for any common elements included within the common interest community
9 but not appurtenant to the units;
- 10 (i) All tangible personal property of the association;
- 11 (j) Except for alterations to a unit done by a unit owner other
12 than the declarant, a copy of the most recent plans and
13 specifications used in the construction or remodeling of the common
14 interest community, except for buildings containing fewer than three
15 units;
- 16 (k) Originals or copies of insurance policies for the common
17 interest community and association;
- 18 (l) Originals or copies of any certificates of occupancy that may
19 have been issued for the common interest community;
- 20 (m) Originals or copies of any other permits obtained by or on
21 behalf of the declarant and issued by governmental bodies applicable
22 to the common interest community;
- 23 (n) Originals or copies of all written warranties that are still
24 in effect for the common elements, or any other areas or facilities
25 that the association has the responsibility to maintain and repair,
26 from the contractor, subcontractors, suppliers, and manufacturers and
27 all owners' manuals or instructions furnished to the declarant with
28 respect to installed equipment or building systems;
- 29 (o) A roster of unit owners and eligible mortgagees and their
30 addresses and telephone numbers, if known, as shown on the
31 declarant's records and the date of closing of the first sale of each
32 unit sold by the declarant;
- 33 (p) Originals or copies of any leases of the common elements and
34 other leases to which the association is a party;
- 35 (q) Originals or photocopies of any employment contracts or
36 service contracts in which the association is one of the contracting
37 parties or service contracts in which the association or the unit
38 owners have an obligation or a responsibility, directly or
39 indirectly, to pay some or all of the fee or charge of the person
40 performing the service;

1 (r) Originals or copies of any qualified warranty issued to the
2 association as provided for in RCW 64.35.505; and

3 (s) Originals or copies of all other contracts to which the
4 association is a party.

5 (2) Within sixty days of the transition meeting, the board must
6 retain the services of a certified public accountant to audit the
7 records of the association as the date of the transition meeting in
8 accordance with generally accepted auditing standards unless the unit
9 owners, other than the declarant, to which a majority of the votes
10 are allocated elect to waive the audit. The cost of the audit must be
11 a common expense unless otherwise provided in the declaration. The
12 accountant performing the audit must examine supporting documents and
13 records, including the cash disbursements and related paid invoices,
14 to determine if expenditures were for association purposes and the
15 billings, cash receipts, and related records to determine if the
16 declarant was charged for and paid the proper amount of assessments.

17 (3) A declaration may provide for the appointment of specified
18 positions on the board by persons other than the declarant or an
19 affiliate of the declarant during or after the period of declarant
20 control. It also may provide a method for filling vacancies in those
21 positions, other than by election by the unit owners. However, after
22 the period of declarant control, appointed members:

- 23 (a) May not comprise more than one-third of the board; and
24 (b) Have no greater authority than any other board member.

25 NEW SECTION. **Sec. 306.** TRANSFER OF SPECIAL DECLARANT RIGHTS.

26 (1) Except as provided in subsection (3) of this section, a special
27 declarant right created or reserved under this chapter may be
28 transferred only by an instrument effecting the transfer and executed
29 by the transferor, to be recorded in every county in which any
30 portion of the common interest community is located. The transferee
31 must provide the association with a copy of the recorded instrument,
32 but the failure to furnish the copy does not invalidate the transfer.

33 (2) Upon transfer of any special declarant right, the liability
34 of a transferor declarant is as follows:

35 (a) A transferor is not relieved of any obligation or liability
36 arising before the transfer and remains liable for such warranty
37 obligations arising before the transfer imposed upon the transferor
38 under this chapter. Lack of privity does not deprive any unit owner

1 of standing to maintain an action to enforce any obligation of the
2 transferor.

3 (b) If a successor to any special declarant right is an affiliate
4 of a declarant the transferor is jointly and severally liable with
5 the successor for any obligations or liabilities of the successor
6 relating to the common interest community.

7 (c) If a transferor retains any special declarant rights, but
8 transfers other special declarant rights to a successor who is not an
9 affiliate of the declarant, the transferor is liable for any
10 obligations or liabilities imposed on a declarant under this chapter
11 or by the declaration relating to the retained special declarant
12 rights, whether arising before or after the transfer.

13 (d) A transferor is not liable for any act or omission or any
14 breach of a contractual or warranty obligation by a successor
15 declarant who is not an affiliate of the transferor.

16 (3) Upon foreclosure of a security interest, sale by a trustee
17 under an agreement creating a security interest, tax sale, judicial
18 sale, or sale under bankruptcy code or receivership proceedings of
19 any unit owned by a declarant or real property in a common interest
20 community that is subject to any special declarant rights, a person
21 acquiring title to the real property being foreclosed or sold
22 succeeds to all of the special declarant rights related to that real
23 property held by that declarant and to any rights reserved in the
24 declaration pursuant to section 216 of this act and held by that
25 declarant to maintain models, sales offices, and signs except to the
26 extent the judgment or instrument effecting the transfer states
27 otherwise.

28 (4) Upon foreclosure of a security interest, sale by a trustee
29 under an agreement creating a security interest, tax sale, judicial
30 sale, or sale under bankruptcy code or receivership proceedings of
31 all interests in a common interest community owned by a declarant,
32 any special declarant rights that are not transferred as stated in
33 subsection (3) of this section terminate.

34 (5) The liabilities and obligations of a person who succeeds to
35 special declarant rights are as follows:

36 (a) A successor to any special declarant right who is an
37 affiliate of a declarant is subject to all obligations and
38 liabilities imposed on the transferor under this chapter or by the
39 declaration.

1 (b) A successor to any special declarant right, other than a
2 successor who is an affiliate of a declarant, is subject to the
3 obligations and liabilities imposed under this chapter or the
4 declaration:

5 (i) On a declarant that relate to the successor's exercise of
6 special declarant rights; and

7 (ii) On the declarant's transferor, other than:

8 (A) Misrepresentations by any previous declarant;

9 (B) Any warranty obligations pursuant to section 415 (1) through
10 (3) of this act on improvements made or contracted for, or units sold
11 by, a previous declarant or that were made before the common interest
12 community was created;

13 (C) Breach of any fiduciary obligation by any previous declarant
14 or the previous declarant's appointees to the board; or

15 (D) Any liability or obligation imposed on the transferor as a
16 result of the transferor's acts or omissions after the transfer.

17 (c) A successor to only a right reserved in the declaration to
18 maintain models, sales offices, and signs may not exercise any other
19 special declarant right, and is not subject to any liability or
20 obligation as a declarant, except the obligation to provide a public
21 offering statement and any liability arising as a result of such
22 reserved rights.

23 (6) This section does not subject any successor to a special
24 declarant right to any claims against or other obligations of a
25 transferor declarant, other than claims and obligations arising under
26 this chapter or the declaration.

27 NEW SECTION. **Sec. 307.** TERMINATION OF CONTRACTS AND LEASES. (1)
28 Within two years after the transition meeting, the association may
29 terminate without penalty, upon not less than ninety days' notice to
30 the other party, any of the following if it was entered into before
31 the board was elected:

32 (a) Any management, maintenance, operations, or employment
33 contract, or lease of recreational or parking areas or facilities; or

34 (b) Any other contract or lease between the association and a
35 declarant or an affiliate of a declarant.

36 (2) The association may terminate without penalty, at any time
37 after the board elected by the unit owners pursuant to section 304(4)
38 of this act takes office upon not less than ninety days' notice to

1 the other party, any contract or lease that is not bona fide or was
2 unconscionable to the unit owners at the time entered into.

3 (3) This section does not apply to:

4 (a) Any lease the termination of which would terminate the common
5 interest community or reduce its size, unless the real estate subject
6 to that lease was included in the common interest community for the
7 purpose of avoiding the right of the association to terminate a lease
8 under this section; or

9 (b) A proprietary lease.

10 NEW SECTION. **Sec. 308.** ORGANIZATIONAL DOCUMENTS. (1) Unless
11 provided for in the declaration, the organizational documents of the
12 association must:

13 (a) Provide the number of board members and the titles of the
14 officers of the association;

15 (b) Provide for election by the board or, if the declaration
16 requires, by the unit owners of a president, treasurer, secretary,
17 and any other officers of the association the organizational
18 documents specify;

19 (c) Specify the qualifications, powers and duties, terms of
20 office, and manner of electing and removing board members and
21 officers and filling vacancies in accordance with section 303 of this
22 act;

23 (d) Specify the powers the board or officers may delegate to
24 other persons or to a managing agent;

25 (e) Specify a method for the unit owners to amend the
26 organizational documents;

27 (f) Describe the budget ratification process required under
28 section 326 of this act, if not provided in the declaration;

29 (g) Contain any provision necessary to satisfy requirements in
30 this chapter or the declaration concerning meetings, voting, quorums,
31 and other activities of the association; and

32 (h) Provide for any matter required by law of this state other
33 than this chapter to appear in the organizational documents of
34 organizations of the same type as the association.

35 (2) Subject to the declaration and this chapter, the
36 organizational documents may provide for any other necessary or
37 appropriate matters.

1 NEW SECTION. **Sec. 309.** UPKEEP OF COMMON INTEREST COMMUNITY. (1)

2 Except to the extent provided by the declaration, subsections (2) and
3 (4) of this section, or section 315(8) of this act, the association
4 must maintain, repair, and replace the common elements, including
5 limited common elements, and each unit owner must maintain, repair,
6 and replace that owner's unit.

7 (2) The board may by rule designate physical components of the
8 property for which a unit owner is otherwise responsible that present
9 a heightened risk of damage or harm to persons or property if the
10 physical components fail. The association may require that specific
11 measures be taken by the unit owner or the association to diminish
12 that risk of harm. If a unit owner fails to accomplish any necessary
13 maintenance, repair, or replacement to those components, or fails to
14 take any other measures required of the unit owner under this
15 subsection, the association may, after notice to a unit owner and an
16 opportunity to be heard, enter the unit in the manner pursuant to
17 subsection (3) of this section to perform such maintenance, repair,
18 replacement, or measure at the expense of that unit owner.

19 (3) Upon prior notice, except in case of an emergency, each unit
20 owner must afford to the association and the other unit owners, and
21 to their agents or employees, access through that owner's unit and
22 limited common elements reasonably necessary for the purposes stated
23 in subsections (1) and (2) of this section, including necessary
24 inspections by the association. If damage is inflicted on the common
25 elements or on any unit through which access is taken, the unit owner
26 responsible for the damage, or the association if it is responsible,
27 is liable for the prompt repair of the damage.

28 (4) In addition to the liability that a declarant as a unit owner
29 has under this chapter, the declarant alone is liable for all
30 expenses in connection with real estate subject to development rights
31 and no other unit owner and no other portion of the common interest
32 community is subject to a claim for payment of those expenses.
33 However, the declaration may provide that the expenses associated
34 with the operation, maintenance, repair, and replacement of a common
35 element that the owners have a right to use must be paid by the
36 association as a common expense. Unless the declaration provides
37 otherwise, any income or proceeds from real estate subject to
38 development rights inures to the declarant.

39 (5) In a plat community or miscellaneous community, if all
40 development rights have expired with respect to any real estate, the

1 declarant remains liable for all expenses of that real estate unless,
2 upon expiration, the declaration provides that the real estate
3 becomes common elements or units.

4 NEW SECTION. **Sec. 310.** MEETINGS. (1) The following requirements
5 apply to unit owner meetings:

6 (a) A meeting of the association must be held at least once each
7 year. Failure to hold an annual meeting does not cause a forfeiture
8 or give cause for dissolution of the association and does not affect
9 otherwise valid association acts.

10 (b)(i) An association must hold a special meeting of unit owners
11 to address any matter affecting the common interest community or the
12 association if its president, a majority of the board, or unit owners
13 having at least twenty percent, or any lower percentage specified in
14 the organizational documents, of the votes in the association request
15 that the secretary call the meeting.

16 (ii) If the association does not provide notice to unit owners of
17 a special meeting within thirty days after the requisite number or
18 percentage of unit owners request the secretary to do so, the
19 requesting members may directly provide notice to all the unit owners
20 of the meeting. Only matters described in the meeting notice required
21 in (c) of this subsection may be considered at a special meeting.

22 (c) An association must provide notice to unit owners of the
23 time, date, and place of each annual and special unit owners meeting
24 not less than fourteen days and not more than fifty days before the
25 meeting date. Notice may be by any means described in section 324 of
26 this act. The notice of any meeting must state the time, date, and
27 place of the meeting and the items on the agenda, including:

28 (i) The text of any proposed amendment to the declaration or
29 organizational documents;

30 (ii) Any changes in the previously approved budget that result in
31 a change in the assessment obligations; and

32 (iii) Any proposal to remove a board member or officer.

33 (d) The minimum time to provide notice required in (c) of this
34 subsection may be reduced or waived for a meeting called to deal with
35 an emergency.

36 (e) Unit owners must be given a reasonable opportunity at any
37 meeting to comment regarding any matter affecting the common interest
38 community or the association.

1 (f) The declaration or organizational documents may allow for
2 meetings of unit owners to be conducted by telephonic, video, or
3 other conferencing process, if the process is consistent with
4 subsection (2)(i) of this section.

5 (2) The following requirements apply to meetings of the board and
6 committees authorized to act for the board:

7 (a) Meetings must be open to the unit owners except during
8 executive sessions, but the board may expel or prohibit attendance by
9 any person who, after warning by the chair of the meeting, disrupts
10 the meeting. The board and those committees may hold an executive
11 session only during a regular or special meeting of the board or a
12 committee. A final vote or action may not be taken during an
13 executive session.

14 (b) An executive session may be held only to:

15 (i) Consult with the association's attorney concerning legal
16 matters;

17 (ii) Discuss existing or potential litigation or mediation,
18 arbitration, or administrative proceedings;

19 (iii) Discuss labor or personnel matters;

20 (iv) Discuss contracts, leases, and other commercial transactions
21 to purchase or provide goods or services currently being negotiated,
22 including the review of bids or proposals, if premature general
23 knowledge of those matters would place the association at a
24 disadvantage; or

25 (v) Prevent public knowledge of the matter to be discussed if the
26 board or committee determines that public knowledge would violate the
27 privacy of any person.

28 (c) For purposes of this subsection, a gathering of members of
29 the board or committees at which the board or committee members do
30 not conduct association business is not a meeting of the board or
31 committee. Board members and committee members may not use incidental
32 or social gatherings to evade the open meeting requirements of this
33 subsection.

34 (d) During the period of declarant control, the board must meet
35 at least four times a year. At least one of those meetings must be
36 held at the common interest community or at a place convenient to the
37 community. After the transition meeting, all board meetings must be
38 at the common interest community or at a place convenient to the
39 common interest community unless the unit owners amend the bylaws to
40 vary the location of those meetings.

1 (e) At each board meeting, the board must provide a reasonable
2 opportunity for unit owners to comment regarding matters affecting
3 the common interest community and the association.

4 (f) Unless the meeting is included in a schedule given to the
5 unit owners or the meeting is called to deal with an emergency, the
6 secretary or other officer specified in the organizational documents
7 must provide notice of each board meeting to each board member and to
8 the unit owners. The notice must be given at least fourteen days
9 before the meeting and must state the time, date, place, and agenda
10 of the meeting.

11 (g) If any materials are distributed to the board before the
12 meeting, the board must make copies of those materials reasonably
13 available to those unit owners, except that the board need not make
14 available copies of unapproved minutes or materials that are to be
15 considered in executive session.

16 (h) Unless the organizational documents provide otherwise, fewer
17 than all board members may participate in a regular or special
18 meeting by or conduct a meeting through the use of any means of
19 communication by which all board members participating can hear each
20 other during the meeting. A board member participating in a meeting
21 by these means is deemed to be present in person at the meeting.

22 (i) Unless the organizational documents provide otherwise, the
23 board may meet by participation of all board members by telephonic,
24 video, or other conferencing process if:

25 (i) The meeting notice states the conferencing process to be used
26 and provides information explaining how unit owners may participate
27 in the conference directly or by meeting at a central location or
28 conference connection; and

29 (ii) The process provides all unit owners the opportunity to hear
30 or perceive the discussion and to comment as provided in (e) of this
31 subsection.

32 (j) After the transition meeting, unit owners may amend the
33 organizational documents to vary the procedures for meetings
34 described in (i) of this subsection.

35 (k) Instead of meeting, the board may act by unanimous consent as
36 documented in a record by all its members. Actions taken by unanimous
37 consent must be kept as a record of the association with the meeting
38 minutes. After the transition meeting, the board may act by unanimous
39 consent only to undertake ministerial actions, actions subject to

1 ratification by the unit owners, or to implement actions previously
2 taken at a meeting of the board.

3 (l) A board member who is present at a board meeting at which any
4 action is taken is presumed to have assented to the action taken
5 unless the board member's dissent or abstention to such action is
6 lodged with the person acting as the secretary of the meeting before
7 adjournment of the meeting or provided in a record to the secretary
8 of the association immediately after adjournment of the meeting. The
9 right to dissent or abstain does not apply to a board member who
10 voted in favor of such action at the meeting.

11 (m) A board member may not vote by proxy or absentee ballot.

12 (n) Even if an action by the board is not in compliance with this
13 section, it is valid unless set aside by a court. A challenge to the
14 validity of an action of the board for failure to comply with this
15 section may not be brought more than ninety days after the minutes of
16 the board of the meeting at which the action was taken are approved
17 or the record of that action is distributed to unit owners, whichever
18 is later.

19 (3) Minutes of all unit owner meetings and board meetings,
20 excluding executive sessions, must be maintained in a record. The
21 decision on each matter voted upon at a board meeting or unit owner
22 meeting must be recorded in the minutes.

23 NEW SECTION. **Sec. 311.** QUORUM. (1) Unless the organizational
24 documents provide otherwise, a quorum is present throughout any
25 meeting of the unit owners if persons entitled to cast twenty percent
26 of the votes in the association:

27 (a) Are present in person or by proxy at the beginning of the
28 meeting;

29 (b) Have voted by absentee ballot; or

30 (c) Are present by any combination of (a) and (b) of this
31 subsection.

32 (2) Unless the organizational documents specify a larger number,
33 a quorum of the board is present for purposes of determining the
34 validity of any action taken at a meeting of the board only if
35 individuals entitled to cast a majority of the votes on that board
36 are present at the time a vote regarding that action is taken. If a
37 quorum is present when a vote is taken, the affirmative vote of a
38 majority of the board members present is the act of the board unless
39 a greater vote is required by the organizational documents.

1 NEW SECTION. **Sec. 312.** UNIT OWNER VOTING. (1) Unit owners may
2 vote at a meeting in person, by absentee ballot pursuant to
3 subsection (3)(d) of this section, or by a proxy pursuant to
4 subsection (5) of this section.

5 (2) When a vote is conducted without a meeting, unit owners may
6 vote by ballot pursuant to subsection (6) of this section.

7 (3) At a meeting of unit owners the following requirements apply:

8 (a) Unit owners or their proxies who are present in person may
9 vote by voice vote, show of hands, standing, written ballot, or any
10 other method for determining the votes of unit owners, as designated
11 by the person presiding at the meeting.

12 (b) If only one of several unit owners of a unit is present, that
13 unit owner is entitled to cast all the votes allocated to that unit.
14 If more than one of the unit owners are present, the votes allocated
15 to that unit may be cast only in accordance with the agreement of a
16 majority in interest of the unit owners, unless the declaration
17 expressly provides otherwise. There is a majority agreement if any
18 one of the unit owners casts the votes allocated to the unit without
19 protest being made promptly to the person presiding over the meeting
20 by any of the other unit owners of the unit.

21 (c) Unless a greater number or fraction of the votes in the
22 association is required under this chapter or the declaration or
23 organizational documents, a majority of the votes cast determines the
24 outcome of any action of the association.

25 (d) Whenever proposals or board members are to be voted upon at a
26 meeting, a unit owner may vote by duly executed absentee ballot if:

27 (i) The name of each candidate and the text of each proposal to
28 be voted upon are set forth in a writing accompanying or contained in
29 the notice of meeting; and

30 (ii) A ballot is provided by the association for such purpose.

31 (4) When a unit owner votes by absentee ballot, the association
32 must be able to verify that the ballot is cast by the unit owner
33 having the right to do so.

34 (5) Except as provided otherwise in the declaration or
35 organizational documents, the following requirements apply with
36 respect to proxy voting:

37 (a) Votes allocated to a unit may be cast pursuant to a directed
38 or undirected proxy duly executed by a unit owner in the same manner
39 as provided in RCW 24.06.110.

1 (b) If a unit is owned by more than one person, each unit owner
2 of the unit may vote or register protest to the casting of votes by
3 the other unit owners of the unit through a duly executed proxy.

4 (c) A unit owner may revoke a proxy given pursuant to this
5 section only by actual notice of revocation to the secretary or the
6 person presiding over a meeting of the association or by delivery of
7 a subsequent proxy. The death or disability of a unit owner does not
8 revoke a proxy given by the unit owner unless the person presiding
9 over the meeting has actual notice of the death or disability.

10 (d) A proxy is void if it is not dated or purports to be
11 revocable without notice.

12 (e) Unless stated otherwise in the proxy, a proxy terminates
13 eleven months after its date of issuance.

14 (6) Unless prohibited or limited by the declaration or
15 organizational documents, an association may conduct a vote without a
16 meeting. In that event, the following requirements apply:

17 (a) The association must notify the unit owners that the vote
18 will be taken by ballot.

19 (b) The notice must state:

20 (i) The time and date by which a ballot must be delivered to the
21 association to be counted, which may not be fewer than fourteen days
22 after the date of the notice, and which deadline may be extended in
23 accordance with (g) of this subsection;

24 (ii) The percent of votes necessary to meet the quorum
25 requirements;

26 (iii) The percent of votes necessary to approve each matter other
27 than election of board members; and

28 (iv) The time, date, and manner by which unit owners wishing to
29 deliver information to all unit owners regarding the subject of the
30 vote may do so.

31 (c) The association must deliver a ballot to every unit owner
32 with the notice.

33 (d) The ballot must set forth each proposed action and provide an
34 opportunity to vote for or against the action.

35 (e) A ballot cast pursuant to this section may be revoked only by
36 actual notice to the association of revocation. The death or
37 disability of a unit owner does not revoke a ballot unless the
38 association has actual notice of the death or disability prior to the
39 date set forth in (b)(i) of this subsection.

1 (f) Approval by ballot pursuant to this subsection is valid only
2 if the number of votes cast by ballot equals or exceeds the quorum
3 required to be present at a meeting authorizing the action.

4 (g) If the association does not receive a sufficient number of
5 votes to constitute a quorum or to approve the proposal by the date
6 and time established for return of ballots, the board may extend the
7 deadline for a reasonable period not to exceed eleven months upon
8 further notice to all members in accordance with (b) of this
9 subsection. In that event, all votes previously cast on the proposal
10 must be counted unless subsequently revoked as provided in this
11 section.

12 (h) A ballot or revocation is not effective until received by the
13 association.

14 (i) The association must give notice to unit owners of any action
15 taken pursuant to this subsection within a reasonable time after the
16 action is taken.

17 (j) When an action is taken pursuant to this subsection, a record
18 of the action, including the ballots or a report of the persons
19 appointed to tabulate such ballots, must be kept with the minutes of
20 meetings of the association.

21 (7) If the governing documents require that votes on specified
22 matters affecting the common interest community be cast by lessees
23 rather than unit owners of leased units:

24 (a) This section applies to lessees as if they were unit owners;

25 (b) Unit owners that have leased their units to other persons may
26 not cast votes on those specified matters; and

27 (c) Lessees are entitled to notice of meetings, access to
28 records, and other rights respecting those matters as if they were
29 unit owners.

30 (8) Unit owners must also be given notice, in the manner provided
31 in section 324 of this act, of all meetings at which lessees may be
32 entitled to vote.

33 (9) In any vote of the unit owners, votes allocated to a unit
34 owned by the association must be cast in the same proportion as the
35 votes cast on the matter by unit owners other than the association.

36 NEW SECTION. **Sec. 313.** TORT AND CONTRACT LIABILITY—TOLLING OF
37 LIMITATION PERIOD. (1) A unit owner is not liable, solely by reason
38 of being a unit owner, for an injury or damage arising out of the
39 condition or use of the common elements. Neither the association nor

1 any unit owner except the declarant is liable for that declarant's
2 torts in connection with any part of the common interest community
3 which that declarant must maintain.

4 (2)(a) An action alleging a wrong done by the association,
5 including an action arising out of the condition or use of the common
6 elements, may be maintained only against the association and not
7 against any unit owner.

8 (b) If the wrong occurred during any period of declarant control
9 and the association gives the declarant reasonable notice of and an
10 opportunity to defend against the action, the declarant who then
11 controlled the association is liable to the association or to any
12 unit owner for (i) all tort losses not covered by insurance suffered
13 by the association or that unit owner and (ii) all costs that the
14 association would not have incurred but for a breach of contract or
15 other wrongful act or omission by the association.

16 (c) If a declarant is liable to an association under this
17 section, the declarant is also liable for all expenses of litigation,
18 including reasonable attorneys' fees and costs, incurred by the
19 association.

20 (3)(a) Except as provided in section 417 of this act with respect
21 to warranty claims, any statute of limitation affecting the
22 association's right of action against a declarant under this chapter
23 is tolled until any period of declarant control terminates.

24 (b) A unit owner is not precluded from maintaining an action
25 contemplated under this section because that person is a unit owner,
26 board member, or officer of the association. Liens resulting from
27 judgments against the association are governed under section 319 of
28 this act.

29 NEW SECTION. **Sec. 314.** CONVEYANCE OR ENCUMBRANCE OF COMMON
30 ELEMENTS. (1)(a) In a common interest community other than a
31 cooperative, portions of the common elements may be conveyed or
32 subjected to a security interest by the association if unit owners
33 entitled to cast at least eighty percent of the votes in the
34 association, including eighty percent of the votes allocated to units
35 not owned by a declarant, or any larger percentage the declaration
36 specifies, agree to that action; but all unit owners of units to
37 which any limited common element is allocated must agree to convey
38 that limited common element or subject it to a security interest. The

1 declaration may specify a smaller percentage only if all of the units
2 are restricted exclusively to nonresidential uses.

3 (b) Proceeds of the sale or a loan are an asset of the
4 association, but the proceeds of the sale of limited common elements
5 must be distributed equitably among the unit owners of units to which
6 the limited common elements were allocated. This subsection (1) does
7 not apply to the incorporation of common elements into units as a
8 result of relocating unit boundaries pursuant to section 213 of this
9 act, to subdividing or combining units pursuant to section 214 of
10 this act, or to eminent domain proceedings pursuant to section 106 of
11 this act.

12 (2)(a) Part of a cooperative may be conveyed and all or part of a
13 cooperative may be subjected to a security interest by the
14 association if unit owners entitled to cast at least eighty percent
15 of the votes in the association, including eighty percent of the
16 votes allocated to units not owned by a declarant, or any larger
17 percentage the declaration specifies, agree to that action; but, if
18 fewer than all of the units or limited common elements are to be
19 conveyed or subjected to a security interest, all unit owners of
20 those units, or the units to which those limited common elements are
21 allocated, must agree to convey those units or limited common
22 elements or subject them to a security interest. The declaration may
23 specify a smaller percentage only if all of the units are restricted
24 exclusively to nonresidential uses.

25 (b) Proceeds of the sale or a loan are an asset of the
26 association. Any purported conveyance or other voluntary transfer of
27 an entire cooperative, unless made pursuant to section 219 of this
28 act, is void. This subsection (2) does not apply to the incorporation
29 of common elements into units as a result of relocating unit
30 boundaries pursuant to section 213 of this act, to subdividing or
31 combining units pursuant to section 214 of this act, or to eminent
32 domain proceedings pursuant to section 106 of this act.

33 (3) An agreement to convey common elements in a common interest
34 community other than a cooperative, or to subject them to a security
35 interest, or in a cooperative, an agreement to convey any part of a
36 cooperative or subject it to a security interest, must be evidenced
37 by the execution of an agreement, or ratifications of an agreement,
38 in the same manner as a deed, by the requisite number of unit owners.
39 The agreement must specify a date after which the agreement will be
40 void unless recorded before that date. The agreement and all

1 ratifications of the agreement must be recorded in every county in
2 which a portion of the common interest community is situated and is
3 effective only upon recordation.

4 (4) The association, on behalf of the unit owners, may contract
5 to convey or dedicate an interest in a common interest community
6 pursuant to subsection (1) of this section, but the contract is not
7 enforceable against the association until approved pursuant to
8 subsection (1), (2), or (3) of this section. Thereafter, the
9 association has all powers necessary and appropriate to effect the
10 conveyance or encumbrance, including the power to execute deeds or
11 other instruments.

12 (5) Unless made pursuant to this section, any purported
13 conveyance, encumbrance, judicial sale, or other voluntary transfer
14 of common elements or of any other part of a cooperative is void.

15 (6) A conveyance or encumbrance of common elements or of a
16 cooperative pursuant to this section does not deprive any unit of its
17 rights of access and support.

18 (7) Unless the declaration requires a higher percentage, if the
19 consent of eligible mortgagees holding security interests on at least
20 eighty percent of the units subject to security interests held by
21 eligible mortgagees on the day the unit owners' agreement under
22 subsection (3) of this section is recorded, is obtained:

23 (a) A conveyance of common elements pursuant to this section
24 terminates both the undivided interests in those common elements
25 allocated to the units and the security interests in those undivided
26 interests held by all persons holding security interests in the
27 units; and

28 (b) An encumbrance of common elements pursuant to this section
29 has priority over all preexisting encumbrances on the undivided
30 interests in those common elements held by all persons holding
31 security interests in the units.

32 (8) The consents of eligible mortgagees, or a certificate of the
33 secretary affirming that the requisite percentage of eligible
34 mortgagees have consented, may be recorded at any time before the
35 date on which the agreement under subsection (3) of this section
36 becomes void. Such consents or certificates recorded are valid from
37 the date they are recorded for purposes of calculating the percentage
38 of consenting eligible mortgagees, regardless of later conveyance or
39 encumbrances on those units. If the required percentage of eligible
40 mortgagees consent, a conveyance or encumbrance of common elements

1 does not affect interests having priority over the declaration or
2 created by the association after the declaration was recorded.

3 (9) In a cooperative, the association may acquire, hold,
4 encumber, or convey a proprietary lease without complying with this
5 section.

6 NEW SECTION. **Sec. 315.** INSURANCE. (1) Commencing not later than
7 the time of the first conveyance of a unit to a person other than a
8 declarant, the association must maintain in its own name, to the
9 extent reasonably available and subject to reasonable deductibles:

10 (a) Property insurance on the common elements and, in a plat
11 community or miscellaneous community, also on property that must
12 become common elements, insuring against risks of direct physical
13 loss commonly insured against, which insurance, after application of
14 any deductibles, must be not less than eighty percent of the actual
15 cash value of the insured property at the time the insurance is
16 purchased and at each renewal date, exclusive of land, excavations,
17 foundations, and other items normally excluded from property
18 policies;

19 (b) Commercial general liability insurance, including medical
20 payments insurance, in an amount determined by the board, but not
21 less than any amount specified in the declaration, covering all
22 occurrences commonly insured against for bodily injury and property
23 damage arising out of or in connection with the use, ownership, or
24 maintenance of the common elements and, in cooperatives, of all
25 units;

26 (c) Fidelity insurance; and

27 (d) Other insurance required under the declaration.

28 (2) In the case of a building that contains units divided by
29 horizontal boundaries described in the declaration, or vertical
30 boundaries that comprise common walls between units, the insurance
31 maintained under subsection (1)(a) of this section, to the extent
32 reasonably available, must include the units and, unless provided
33 otherwise in the declaration, all improvements and betterments to the
34 units.

35 (3) If the insurance described in subsections (1) and (2) of this
36 section is not reasonably available, the association must promptly
37 cause notice of that fact to be given to all unit owners. The
38 association may carry any other insurance it considers appropriate to
39 protect the association or the unit owners.

1 (4) Insurance policies carried pursuant to subsections (1) and
2 (2) of this section must provide that:

3 (a) Each unit owner is an insured person under the policy with
4 respect to liability arising out of the unit owner's interest in the
5 common elements or membership in the association;

6 (b) The insurer waives its right to subrogation under the policy
7 against any unit owner or member of the unit owner's household;

8 (c) Any act or omission by a unit owner, unless acting within the
9 unit owner's scope of authority on behalf of the association, does
10 not void the policy and is not a condition to recovery under the
11 policy; and

12 (d) If, at the time of a loss under the policy, there is other
13 insurance in the name of a unit owner covering the same risk covered
14 by the policy, the association's policy provides primary insurance.

15 (5) Any loss covered by the property insurance policy under
16 subsection (1)(a) and (b) of this section must be adjusted with the
17 association, but the insurance proceeds for that loss are payable to
18 any insurance trustee designated for that purpose, or otherwise to
19 the association, and not to any holder of a security interest. The
20 insurance trustee or the association must hold any insurance proceeds
21 in trust for the association, unit owners, and lienholders as their
22 interests may appear. Subject to subsection (8) of this section, the
23 proceeds must be disbursed first for the repair or replacement of the
24 damaged property, and the association, unit owners, and lienholders
25 are not entitled to receive payment of any portion of the proceeds
26 unless there is a surplus of proceeds after the property has been
27 completely repaired or replaced, or the common interest community is
28 terminated.

29 (6) An insurance policy issued to the association does not
30 prevent a unit owner from obtaining insurance for the unit owner's
31 own benefit.

32 (7) An insurer that has issued an insurance policy under this
33 section must issue certificates or memoranda of insurance to the
34 association and, upon a request made in a record, to any unit owner
35 or holder of a security interest. The insurer issuing the policy may
36 not modify the amount or the extent of the coverage of the policy or
37 cancel or refuse to renew the policy unless the insurer has complied
38 with all applicable provisions of chapter 48.18 RCW pertaining to the
39 cancellation or nonrenewal of contracts of insurance. The insurer may
40 not modify the amount or the extent of the coverage of the policy or

1 cancel or refuse to renew the policy without complying with this
2 section.

3 (8) Any portion of the common interest community for which
4 insurance is required under this section that is damaged or destroyed
5 must be repaired or replaced promptly by the association unless:

6 (a) The common interest community is terminated, in which case
7 section 219 of this act applies;

8 (b) Repair or replacement would be illegal; or

9 (c) Eighty percent of the unit owners, including every unit owner
10 of a unit or assigned limited common element that will not be
11 rebuilt, vote not to rebuild.

12 (9) The cost of repair or replacement not paid from insurance
13 proceeds is a common expense. If all of the damaged or destroyed
14 portions of the common interest community are not repaired or
15 replaced:

16 (a) The insurance proceeds attributable to the damaged common
17 elements must be used to restore the damaged area to a condition
18 compatible with the remainder of the common interest community; and

19 (b) Except to the extent that other persons will be distributees:

20 (i) The insurance proceeds attributable to units and limited
21 common elements that are not repaired or replaced must be distributed
22 to the unit owners of those units and the unit owners of the units to
23 which those limited common elements were allocated, or to
24 lienholders, as their interests may appear; and

25 (ii) The remainder of the proceeds must be distributed to all the
26 unit owners or lienholders, as their interests may appear, as
27 follows:

28 (A) In a condominium, in proportion to the common element
29 interests of all the units; and

30 (B) In a cooperative, plat community, or miscellaneous community,
31 in proportion to the common expense liabilities of all the units.

32 (10) If the unit owners vote not to rebuild any unit, that unit's
33 allocated interests are automatically reallocated upon the vote as if
34 the unit had been condemned under section 106 of this act, and the
35 association promptly must prepare, execute, and record an amendment
36 to the declaration reflecting the reallocations.

37 (11) The provisions of this section may be varied or waived as
38 provided in the declaration if all units of a common interest
39 community are restricted to nonresidential use.

1 NEW SECTION. **Sec. 316.** ACCOUNTS—RECONCILIATION. (1) The

2 association must establish and maintain its accounts and records in a
3 manner that will enable it to credit assessments for common expenses
4 and specially allocated expenses, including allocations to reserves,
5 and other income to the association, and to charge expenditures, to
6 the account of the appropriate units in accordance with the
7 provisions of the declaration.

8 (2) To assure that the unit owners are correctly assessed for the
9 actual expenses of the association, the accounts of the association
10 must be reconciled at least annually unless the board determines that
11 a reconciliation would not result in a material savings to any unit
12 owner. Unless provided otherwise in the declaration, any surplus
13 funds of the association remaining after the payment of or provision
14 for common expenses and any prepayment of reserves must be paid
15 annually to the unit owners in proportion to their common expense
16 liabilities or credited to them to reduce their future common expense
17 assessments.

18 NEW SECTION. **Sec. 317.** ASSESSMENTS AND CAPITAL CONTRIBUTIONS.

19 (1)(a) Assessments for common expenses and those specially allocated
20 expenses that are subject to inclusion in a budget must be made at
21 least annually based on a budget adopted at least annually by the
22 association in the manner provided in section 326 of this act.

23 (b) Assessments for common expenses and specially allocated
24 expenses must commence on all units that have been created upon the
25 conveyance of the first unit in the common interest community;
26 however, the declarant may delay commencement of assessments for some
27 or all common expenses or specially allocated expenses, in which
28 event the declarant must pay all of the common expenses or specially
29 allocated expenses that have been delayed. In a common interest
30 community in which units may be added pursuant to reserved
31 development rights, the declarant may delay commencement of
32 assessments for such units in the same manner.

33 (2) The declaration may provide that, upon closing of the first
34 conveyance of each unit to a purchaser or first occupancy of a unit,
35 whichever occurs first, the association may assess and collect a
36 working capital contribution for such unit. The working capital
37 contribution may be collected prior to the commencement of common
38 assessments under subsection (1) of this section. A working capital

1 contribution may not be used to defray expenses that are the
2 obligation of the declarant.

3 (3) Except as provided otherwise in this section, all common
4 expenses must be assessed against all the units in accordance with
5 their common expense liabilities, subject to the right of the
6 declarant to delay commencement of certain common expenses under
7 subsections (1) and (2) of this section. Any past due assessment or
8 installment of past due assessment bears interest at the rate
9 established by the association pursuant to section 318 of this act.

10 (4) The declaration may provide that any of the following
11 expenses of the association must be assessed against the units on
12 some basis other than common expense liability. If and to the extent
13 the declaration so provides, the association must assess:

14 (a) Expenses associated with the operation, maintenance, repair,
15 or replacement of any specified limited common element against the
16 units to which that limited common element is assigned, equally or in
17 any other proportion that the declaration provides;

18 (b) Expenses specified in the declaration as benefiting fewer
19 than all of the units or their unit owners exclusively against the
20 units benefited in proportion to their common expense liability or in
21 any other proportion that the declaration provides;

22 (c) The costs of insurance in proportion to risk; and

23 (d) The costs of one or more specified utilities in proportion to
24 respective usage or upon the same basis as such utility charges are
25 made by the utility provider.

26 (5) Assessments to pay a judgment against the association may be
27 made only against the units in the common interest community at the
28 time the judgment was entered, in proportion to their common expense
29 liabilities.

30 (6) To the extent that any expense of the association is caused
31 by willful misconduct or gross negligence of any unit owner or that
32 unit owner's tenant, guest, invitee, or occupant, the association may
33 assess that expense against the unit owner's unit after notice and an
34 opportunity to be heard, even if the association maintains insurance
35 with respect to that damage or common expense.

36 (7) If the declaration so provides, to the extent that any
37 expense of the association is caused by the negligence of any unit
38 owner or that unit owner's tenant, guest, invitee, or occupant, the
39 association may assess that expense against the unit owner's unit
40 after notice and an opportunity to be heard, to the extent of the

1 association's deductible and any expenses not covered under an
2 insurance policy issued to the association.

3 (8) In the event of a loss or damage to a unit that would be
4 covered by the association's property insurance policy, excluding
5 policies for earthquake, flood, or similar losses that have higher
6 than standard deductibles, but that is within the deductible under
7 that policy and if the declaration so provides, the association may
8 assess the amount of the loss up to the deductible against that unit.
9 This subsection does not prevent a unit owner from asserting a claim
10 against another person for the amount assessed if that other person
11 would be liable for the damages under general legal principles.

12 (9) If common expense liabilities are reallocated, assessments
13 and any installment of assessments not yet due must be recalculated
14 in accordance with the reallocated common expense liabilities.

15 NEW SECTION. **Sec. 318.** LIEN FOR SUMS DUE ASSOCIATION—
16 ENFORCEMENT. (1) The association has a statutory lien on each unit
17 for any unpaid assessment against the unit from the time such
18 assessment is due.

19 (2) A lien under this section has priority over all other liens
20 and encumbrances on a unit except:

21 (a) Liens and encumbrances recorded before the recordation of the
22 declaration and, in a cooperative, liens and encumbrances that the
23 association creates, assumes, or takes subject to;

24 (b) Except as otherwise provided in subsection (3) of this
25 section, a security interest on the unit recorded before the date on
26 which the unpaid assessment became due or, in a cooperative, a
27 security interest encumbering only the unit owner's interest and
28 perfected before the date on which the unpaid assessment became due;
29 and

30 (c) Liens for real estate taxes and other state or local
31 governmental assessments or charges against the unit or cooperative.

32 (3)(a) A lien under this section also has priority over the
33 security interests described in subsection (2)(b) of this section to
34 the extent of an amount equal to the following:

35 (i) The common expense assessments, excluding any amounts for
36 capital improvements, based on the periodic budget adopted by the
37 association pursuant to section 317(1) of this act, along with any
38 specially allocated assessments that are properly assessable against
39 the unit under such periodic budget, which would have become due in

1 the absence of acceleration during the six months immediately
2 preceding the institution of proceedings to foreclose either the
3 association's lien or a security interest described in subsection
4 (2)(b) of this section;

5 (ii) The association's actual costs and reasonable attorneys'
6 fees incurred in foreclosing its lien but incurred after the giving
7 of the notice described in (a)(iii) of this subsection; provided,
8 however, that the costs and reasonable attorneys' fees that will have
9 priority under this subsection (3)(a)(ii) shall not exceed two
10 thousand dollars or an amount equal to the amounts described in
11 (a)(i) of this subsection, whichever is less;

12 (iii) The amounts described in (a)(ii) of this subsection shall
13 be prior only to the security interest of the holder of a security
14 interest on the unit recorded before the date on which the unpaid
15 assessment became due and only if the association has given that
16 holder not less than sixty days' prior written notice that the owner
17 of the unit is in default in payment of an assessment. The notice
18 shall contain:

19 (A) Name of the borrower;

20 (B) Recording date of the trust deed or mortgage;

21 (C) Recording information;

22 (D) Name of condominium, unit owner, and unit designation stated
23 in the declaration or applicable supplemental declaration;

24 (E) Amount of unpaid assessment; and

25 (F) A statement that failure to, within sixty days of the written
26 notice, submit the association payment of six months of assessments
27 as described in (a)(i) of this subsection will result in the priority
28 of the amounts described in (a)(ii) of this subsection; and

29 (iv) Upon payment of the amounts described in (a)(i) of this
30 subsection by the holder of a security interest, the association's
31 lien described in this subsection (3)(a) shall thereafter be fully
32 subordinated to the lien of such holder's security interest on the
33 unit.

34 (b) For the purposes of this subsection:

35 (i) "Institution of proceedings" means either:

36 (A) The date of recording of a notice of trustee's sale by a deed
37 of trust beneficiary;

38 (B) The date of commencement, pursuant to applicable court rules,
39 of an action for judicial foreclosure either by the association or by
40 the holder of a recorded security interest; or

1 (C) The date of recording of a notice of intention to forfeit in
2 a real estate contract forfeiture proceeding by the vendor under a
3 real estate contract.

4 (ii) "Capital improvements" does not include making, in the
5 ordinary course of management, repairs to common elements or
6 replacements of the common elements with substantially similar items,
7 subject to: (A) Availability of materials and products, (B)
8 prevailing law, or (C) sound engineering and construction standards
9 then prevailing.

10 (c) The adoption of a periodic budget that purports to allocate
11 to a unit any fines, late charges, interest, attorneys' fees and
12 costs incurred for services unrelated to the foreclosure of the
13 association's lien, other collection charges, or specially allocated
14 assessments assessed under section 317 (6) or (7) of this act does
15 not cause any such items to be included in the priority amount
16 affecting such unit.

17 (4) Subsections (2) and (3) of this section do not affect the
18 priority of mechanics' or material suppliers' liens to the extent
19 that law of this state other than this act gives priority to such
20 liens, or the priority of liens for other assessments made by the
21 association.

22 (5) A lien under this section is not subject to chapter 6.13 RCW.

23 (6) If the association forecloses its lien under this section
24 nonjudicially pursuant to chapter 61.24 RCW, as provided under
25 subsection (13) of this section, the association is not entitled to
26 the lien priority provided for under subsection (3) of this section,
27 and is subject to the limitations on deficiency judgments as provided
28 in chapter 61.24 RCW.

29 (7) Unless the declaration provides otherwise, if two or more
30 associations have liens for assessments created at any time on the
31 same property, those liens have equal priority as to each other, and
32 any foreclosure of one such lien shall not affect the lien of the
33 other.

34 (8) Recording of the declaration constitutes record notice and
35 perfection of the statutory lien created under this section. Further
36 notice or recordation of any claim of lien for assessment under this
37 section is not required, but is not prohibited.

38 (9) A lien for unpaid assessments and the personal liability for
39 payment of those assessments are extinguished unless proceedings to
40 enforce the lien or collect the debt are instituted within six years

1 after the full amount of the assessments sought to be recovered
2 becomes due.

3 (10) This section does not prohibit actions against unit owners
4 to recover sums for which subsection (1) of this section creates a
5 lien or prohibit an association from taking a deed in lieu of
6 foreclosure.

7 (11) The association upon written request must furnish to a unit
8 owner or a mortgagee a statement signed by an officer or authorized
9 agent of the association setting forth the amount of unpaid
10 assessments or the priority amount against that unit, or both. The
11 statement must be furnished within fifteen days after receipt of the
12 request and is binding on the association, the board, and every unit
13 owner unless, and to the extent, known by the recipient to be false.
14 The liability of a recipient who reasonably relies upon the statement
15 must not exceed the amount set forth in any statement furnished
16 pursuant to this section or section 409(1)(b) of this act.

17 (12) In a cooperative, upon nonpayment of an assessment on a
18 unit, the unit owner may be evicted in the same manner as provided by
19 law in the case of an unlawful holdover by a commercial tenant, and
20 the lien may be foreclosed as provided under this section.

21 (13) The association's lien may be foreclosed in accordance with
22 (a) and (b) of this subsection.

23 (a) In a common interest community other than a cooperative, the
24 association's lien may be foreclosed judicially in accordance with
25 chapter 61.12 RCW, subject to any rights of redemption under chapter
26 6.23 RCW.

27 (b) The lien may be enforced nonjudicially in the manner set
28 forth in chapter 61.24 RCW for nonjudicial foreclosure of deeds of
29 trust if the declaration: Contains a grant of the common interest
30 community in trust to a trustee qualified under RCW 61.24.010 to
31 secure the obligations of the unit owners to the association for the
32 payment of assessments, contains a power of sale, provides in its
33 terms that the units are not used principally for agricultural
34 purposes, and provides that the power of sale is operative in the
35 case of a default in the obligation to pay assessments. The
36 association or its authorized representative may purchase the unit at
37 the foreclosure sale and acquire, hold, lease, mortgage, or convey
38 the unit. Upon an express waiver in the complaint of any right to a
39 deficiency judgment in a judicial foreclosure action, the period of
40 redemption is eight months.

1 (c) In a cooperative in which the unit owners' interests in the
2 units are real estate, the association's lien must be foreclosed in
3 like manner as a mortgage on real estate or by power of sale under
4 (b) of this subsection.

5 (d) In a cooperative in which the unit owners' interests in the
6 units are personal property, the association's lien must be
7 foreclosed in like manner as a security interest under chapter 62A.9A
8 RCW.

9 (14) If the unit owner's interest in a unit in a cooperative is
10 real estate, the following requirements apply:

11 (a) The association, upon nonpayment of assessments and
12 compliance with this subsection, may sell that unit at a public sale
13 or by private negotiation, and at any time and place. The association
14 must give to the unit owner and any lessee of the unit owner
15 reasonable notice in a record of the time, date, and place of any
16 public sale or, if a private sale is intended, of the intention of
17 entering into a contract to sell and of the time and date after which
18 a private conveyance may be made. Such notice must also be sent to
19 any other person that has a recorded interest in the unit that would
20 be cut off by the sale, but only if the recorded interest was on
21 record seven weeks before the date specified in the notice as the
22 date of any public sale or seven weeks before the date specified in
23 the notice as the date after which a private sale may be made. The
24 notices required under this subsection may be sent to any address
25 reasonable in the circumstances. A sale may not be held until five
26 weeks after the sending of the notice. The association may buy at any
27 public sale and, if the sale is conducted by a fiduciary or other
28 person not related to the association, at a private sale.

29 (b) Unless otherwise agreed to or as stated in this section, the
30 unit owner is liable for any deficiency in a foreclosure sale.

31 (c) The proceeds of a foreclosure sale must be applied in the
32 following order:

- 33 (i) The reasonable expenses of sale;
34 (ii) The reasonable expenses of securing possession before sale;
35 the reasonable expenses of holding, maintaining, and preparing the
36 unit for sale, including payment of taxes and other governmental
37 charges and premiums on insurance; and, to the extent provided for by
38 agreement between the association and the unit owner, reasonable
39 attorneys' fees, costs, and other legal expenses incurred by the
40 association;

1 (iii) Satisfaction of the association's lien;

2 (iv) Satisfaction in the order of priority of any subordinate
3 claim of record; and

4 (v) Remittance of any excess to the unit owner.

5 (d) A good-faith purchaser for value acquires the unit free of
6 the association's debt that gave rise to the lien under which the
7 foreclosure sale occurred and any subordinate interest, even though
8 the association or other person conducting the sale failed to comply
9 with this section. The person conducting the sale must execute a
10 conveyance to the purchaser sufficient to convey the unit and stating
11 that it is executed by the person after a foreclosure of the
12 association's lien by power of sale and that the person was empowered
13 to make the sale. Signature and title or authority of the person
14 signing the conveyance as grantor and a recital of the facts of
15 nonpayment of the assessment and of the giving of the notices
16 required under this subsection are sufficient proof of the facts
17 recited and of the authority to sign. Further proof of authority is
18 not required even though the association is named as grantee in the
19 conveyance.

20 (e) At any time before the association has conveyed a unit in a
21 cooperative or entered into a contract for its conveyance under the
22 power of sale, the unit owners or the holder of any subordinate
23 security interest may cure the unit owner's default and prevent sale
24 or other conveyance by tendering the performance due under the
25 security agreement, including any amounts due because of exercise of
26 a right to accelerate, plus the reasonable expenses of proceeding to
27 foreclosure incurred to the time of tender, including reasonable
28 attorneys' fees and costs of the creditor.

29 (15) In an action by an association to collect assessments or to
30 foreclose a lien on a unit under this section, the court may appoint
31 a receiver to collect all sums alleged to be due and owing to a unit
32 owner before commencement or during pendency of the action. The
33 receivership is governed under chapter 7.60 RCW. During pendency of
34 the action, the court may order the receiver to pay sums held by the
35 receiver to the association for any assessments against the unit. The
36 exercise of rights under this subsection by the association does not
37 affect the priority of preexisting liens on the unit.

38 (16) Except as provided in subsection (3) of this section, the
39 holder of a mortgage or other purchaser of a unit who obtains the
40 right of possession of the unit through foreclosure is not liable for

1 assessments or installments of assessments that became due prior to
2 such right of possession. Such unpaid assessments are deemed to be
3 common expenses collectible from all the unit owners, including such
4 mortgagee or other purchaser of the unit. Foreclosure of a mortgage
5 does not relieve the prior unit owner of personal liability for
6 assessments accruing against the unit prior to the date of such sale
7 as provided in this subsection.

8 (17) In addition to constituting a lien on the unit, each
9 assessment is the joint and several obligation of the unit owner of
10 the unit to which the same are assessed as of the time the assessment
11 is due. A unit owner may not exempt himself or herself from liability
12 for assessments. In a voluntary conveyance other than by foreclosure,
13 the grantee of a unit is jointly and severally liable with the
14 grantor for all unpaid assessments against the grantor up to the time
15 of the grantor's conveyance, without prejudice to the grantee's right
16 to recover from the grantor the amounts paid by the grantee. Suit to
17 recover a personal judgment for any delinquent assessment is
18 maintainable in any court of competent jurisdiction without
19 foreclosing or waiving the lien securing such sums.

20 (18) The association may from time to time establish reasonable
21 late charges and a rate of interest to be charged, not to exceed the
22 maximum rate calculated under RCW 19.52.020, on all subsequent
23 delinquent assessments or installments of assessments. If the
24 association does not establish such a rate, delinquent assessments
25 bear interest from the date of delinquency at the maximum rate
26 calculated under RCW 19.52.020 on the date on which the assessments
27 became delinquent.

28 (19) The association is entitled to recover any costs and
29 reasonable attorneys' fees incurred in connection with the collection
30 of delinquent assessments, whether or not such collection activities
31 result in a suit being commenced or prosecuted to judgment. The
32 prevailing party is also entitled to recover costs and reasonable
33 attorneys' fees in such suits, including any appeals, if it prevails
34 on appeal and in the enforcement of a judgment.

35 (20) To the extent not inconsistent with this section, the
36 declaration may provide for such additional remedies for collection
37 of assessments as may be permitted by law.

38 (21) An association may not commence an action to foreclose a
39 lien on a unit under this section unless:

1 (a) The unit owner, at the time the action is commenced, owes a
2 sum equal to at least three months of common expense assessments; and

3 (b) The board approves commencement of a foreclosure action
4 specifically against that unit.

5 (22) Every aspect of a collection, foreclosure, sale, or other
6 conveyance under this section, including the method, advertising,
7 time, date, place, and terms, must be commercially reasonable.

8 NEW SECTION. **Sec. 319.** OTHER LIENS. (1) In a condominium, plat
9 community, and miscellaneous community:

10 (a) Except as otherwise provided in (b) of this subsection, a
11 judgment for money against the association perfected under RCW
12 4.64.020 is not a lien on the common elements, but is a lien in favor
13 of the judgment lienholder against all of the other real estate of
14 the association and all of the units in the common interest community
15 at the time the judgment was entered. Other property of a unit owner
16 is not subject to the claims of creditors of the association.

17 (b) If the association has granted a security interest in the
18 common elements to a creditor of the association pursuant to section
19 314 of this act, the holder of that security interest must exercise
20 its right against the common elements before its judgment lien on any
21 unit may be enforced.

22 (c) Whether perfected before or after the creation of the common
23 interest community, if a lien, other than a deed of trust or
24 mortgage, including a judgment lien or lien attributable to work
25 performed or materials supplied before creation of the common
26 interest community, becomes effective against two or more units, the
27 unit owner of an affected unit may pay to the lienholder the amount
28 of the lien attributable to the unit, and the lienholder, upon
29 receipt of payment, must promptly deliver a release of the lien
30 covering that unit. The amount of the payment must be proportionate
31 to the ratio that the unit owner's common expense liability bears to
32 the common expense liabilities of all unit owners that are subject to
33 the lien. After payment, the association may not assess or have a
34 lien against that unit owner's unit for any portion of the common
35 expenses incurred in connection with that lien.

36 (d) A judgment against the association must be recorded and
37 indexed in the name of the common interest community and the
38 association and, when so indexed, is notice of the lien against the
39 units.

1 (2) In a cooperative:

2 (a) If the association receives notice of an impending
3 foreclosure on all or any portion of the association's real estate,
4 the association must promptly transmit a copy of that notice to each
5 unit owner of a unit located within the real estate to be foreclosed.
6 Failure of the association to transmit the notice does not affect the
7 validity of the foreclosure.

8 (b) Whether a unit owner's unit is subject to the claims of the
9 association's creditors, other property of a unit owner is not
10 subject to those claims.

11 NEW SECTION. **Sec. 320.** ASSOCIATION RECORDS. (1) An association
12 must retain the following:

13 (a) The current budget, detailed records of receipts and
14 expenditures affecting the operation and administration of the
15 association, and other appropriate accounting records within the last
16 seven years;

17 (b) Minutes of all meetings of its unit owners and board other
18 than executive sessions, a record of all actions taken by the unit
19 owners or board without a meeting, and a record of all actions taken
20 by a committee in place of the board on behalf of the association;

21 (c) The names of current unit owners, addresses used by the
22 association to communicate with them, and the number of votes
23 allocated to each unit;

24 (d) Its original or restated declaration, organizational
25 documents, all amendments to the declaration and organizational
26 documents, and all rules currently in effect;

27 (e) All financial statements and tax returns of the association
28 for the past seven years;

29 (f) A list of the names and addresses of its current board
30 members and officers;

31 (g) Its most recent annual report delivered to the secretary of
32 state, if any;

33 (h) Financial and other records sufficiently detailed to enable
34 the association to comply with section 409 of this act;

35 (i) Copies of contracts to which it is or was a party within the
36 last seven years;

37 (j) Materials relied upon by the board or any committee to
38 approve or deny any requests for design or architectural approval for
39 a period of seven years after the decision is made;

1 (k) Materials relied upon by the board or any committee
2 concerning a decision to enforce the governing documents for a period
3 of seven years after the decision is made;

4 (l) Copies of insurance policies under which the association is a
5 named insured;

6 (m) Any current warranties provided to the association;

7 (n) Copies of all notices provided to unit owners or the
8 association in accordance with this chapter or the governing
9 documents; and

10 (o) Ballots, proxies, absentee ballots, and other records related
11 to voting by unit owners for one year after the election, action, or
12 vote to which they relate.

13 (2) Subject to subsections (3) and (4) of this section, all
14 records required to be retained by an association must be made
15 available for examination and copying by all unit owners, holders of
16 mortgages on the units, and their respective authorized agents as
17 follows, unless agreed otherwise:

18 (a) During reasonable business hours or at a mutually convenient
19 time and location; and

20 (b) At the offices of the association or its managing agent.

21 (3) Records retained by an association may be withheld from
22 inspection and copying to the extent that they concern:

23 (a) Personnel and medical records relating to specific
24 individuals;

25 (b) Contracts, leases, and other commercial transactions to
26 purchase or provide goods or services currently being negotiated;

27 (c) Existing or potential litigation or mediation, arbitration,
28 or administrative proceedings;

29 (d) Existing or potential matters involving federal, state, or
30 local administrative or other formal proceedings before a
31 governmental tribunal for enforcement of the governing documents;

32 (e) Legal advice or communications that are otherwise protected
33 by the attorney-client privilege or the attorney work product
34 doctrine, including communications with the managing agent or other
35 agent of the association;

36 (f) Information the disclosure of which would violate a court
37 order or law;

38 (g) Records of an executive session of the board;

39 (h) Individual unit files other than those of the requesting unit
40 owner;

1 (i) Unlisted telephone number or electronic address of any unit
2 owner or resident;

3 (j) Security access information provided to the association for
4 emergency purposes; or

5 (k) Agreements that for good cause prohibit disclosure to the
6 members.

7 (4) An association may charge a reasonable fee for producing and
8 providing copies of any records under this section and for
9 supervising the unit owner's inspection.

10 (5) A right to copy records under this section includes the right
11 to receive copies by photocopying or other means, including through
12 an electronic transmission if available upon request by the unit
13 owner.

14 (6) An association is not obligated to compile or synthesize
15 information.

16 (7) Information provided pursuant to this section may not be used
17 for commercial purposes.

18 (8) An association's managing agent must deliver all of the
19 association's original books and records to the association
20 immediately upon termination of its management relationship with the
21 association, or upon such other demand as is made by the board. An
22 association managing agent may keep copies of the association records
23 at its own expense.

24 NEW SECTION. **Sec. 321.** ASSOCIATION AS TRUSTEE. With respect to
25 a third person dealing with the association in the association's
26 capacity as a trustee, the existence of trust powers and their proper
27 exercise by the association may be assumed without inquiry. A third
28 person is not bound to inquire whether the association has power to
29 act as trustee or is properly exercising trust powers. A third
30 person, without actual knowledge that the association is exceeding or
31 improperly exercising its powers, is fully protected in dealing with
32 the association as if it possessed and properly exercised the powers
33 it purports to exercise. A third person is not bound to assure the
34 proper application of trust assets paid or delivered to the
35 association in its capacity as trustee.

36 NEW SECTION. **Sec. 322.** RULES. (1) Unless the declaration
37 provides otherwise, the board must, before adopting, amending, or
38 repealing any rule, give all unit owners notice of:

1 (a) Its intention to adopt, amend, or repeal a rule and provide
2 the text of the rule or the proposed change; and

3 (b) A date on which the board will act on the proposed rule or
4 amendment after considering comments from unit owners.

5 (2) Following adoption, amendment, or repeal of a rule, the
6 association must give notice to the unit owners of its action and
7 provide a copy of any new or revised rule.

8 (3) If the declaration so provides, an association may adopt
9 rules to establish and enforce construction and design criteria and
10 aesthetic standards and, if so, must adopt procedures for enforcement
11 of those standards and for approval of construction applications,
12 including a reasonable time within which the association must act
13 after an application is submitted and the consequences of its failure
14 to act.

15 (4) An association's internal business operating procedures need
16 not be adopted as rules.

17 (5) Every rule must be reasonable.

18 NEW SECTION. **Sec. 323.** SPECIFIC LIMITATIONS ON ASSOCIATION'S
19 REGULATORY AUTHORITY. (1) An association may not prohibit display of
20 the flag of the United States, or the flag of Washington state, on or
21 within a unit or a limited common element, except that an association
22 may adopt reasonable restrictions pertaining to the time, place, or
23 manner of displaying the flag of the United States necessary to
24 protect a substantial interest of the association. For purposes of
25 this section, "flag of the United States" means the flag of the
26 United States as described in 4 U.S.C. Sec. 1 et seq. that is made of
27 fabric, cloth, or paper. "Flag of the United States" does not mean a
28 flag, depiction, or emblem made of lights, paint, roofing, siding,
29 paving materials, flora, or balloons, or of any similar building,
30 landscaping, or decorative components.

31 (2) The association may not prohibit display of signs regarding
32 candidates for public or association office, or ballot issues, on or
33 within a unit or limited common element, but the association may
34 adopt rules governing the time, place, size, number, and manner of
35 those displays.

36 (3) The association may not prohibit the installation of a solar
37 energy panel on or within a unit so long as the solar panel:

38 (a) Meets applicable health and safety standards and requirements
39 imposed by state and local permitting authorities;

1 (b) If used to heat water, is certified by the solar rating
2 certification corporation or another nationally recognized
3 certification agency. Certification must be for the solar energy
4 panel and for installation; and

5 (c) If used to produce electricity, meets all applicable safety
6 and performance standards established by the national electric code,
7 the institute of electrical and electronics engineers, accredited
8 testing laboratories, such as underwriters laboratories, and, where
9 applicable, rules of the utilities and transportation commission
10 regarding safety and reliability.

11 (4) The governing documents may:

12 (a) Prohibit the visibility of any part of a roof-mounted solar
13 energy panel above the roof line;

14 (b) Permit the attachment of a solar energy panel to the slope of
15 a roof facing a street only if:

16 (i) The solar energy panel conforms to the slope of the roof; and

17 (ii) The top edge of the solar energy panel is parallel to the
18 roof ridge; and

19 (c) Require:

20 (i) A solar energy panel frame, a support bracket, or any visible
21 piping or wiring to be painted to coordinate with the roofing
22 material;

23 (ii) A unit owner or resident to shield a ground-mounted solar
24 energy panel if shielding the panel does not prohibit economic
25 installation of the solar energy panel or degrade the operational
26 performance quality of the solar energy panel by more than ten
27 percent; and

28 (iii) Unit owners or residents who install solar energy panels to
29 indemnify or reimburse the association or its members for loss or
30 damage caused by the installation, maintenance, or use of a solar
31 energy panel.

32 (5) The governing documents may include other reasonable rules
33 regarding the placement and manner of a solar energy panel.

34 (6) For purposes of this section, "solar energy panel" means a
35 panel device or system or combination of panel devices or systems
36 that relies on direct sunlight as an energy source, including a panel
37 device or system or combination of panel devices or systems that
38 collects sunlight for use in:

39 (a) The heating or cooling of a structure or building;

40 (b) The heating or pumping of water;

1 (c) Industrial, commercial, or agricultural processes; or

2 (d) The generation of electricity.

3 (7) This section must not be construed to permit installation by
4 a unit owner of a solar panel on or in common elements without
5 approval of the board.

6 (8) Unit owners may peacefully assemble on the common elements to
7 consider matters related to the common interest community, but the
8 association may adopt rules governing the time, place, and manner of
9 those assemblies.

10 (9) An association may adopt rules that affect the use or
11 occupancy of or behavior in units that may be used for residential
12 purposes, only to:

13 (a) Implement a provision of the declaration;

14 (b) Regulate any behavior in or occupancy of a unit that violates
15 the declaration or adversely affects the use and enjoyment of other
16 units or the common elements by other occupants; and

17 (c) Restrict the leasing of residential units to the extent those
18 rules are reasonably designed to meet underwriting requirements of
19 institutional lenders that regularly make loans secured by first
20 mortgages on units in comparable common interest communities or that
21 regularly purchase those mortgages.

22 NEW SECTION. **Sec. 324.** NOTICE. (1) Notice to the association,
23 board, or any owner or occupant of a unit under this chapter must be
24 provided in the form of a record.

25 (2) Notice provided in a tangible medium may be transmitted by
26 mail, private carrier, or personal delivery; telegraph or teletype;
27 or telephone, wire, or wireless equipment that transmits a facsimile
28 of the notice.

29 (a) Notice in a tangible medium to an association may be
30 addressed to the association's registered agent at its registered
31 office, to the association at its principal office shown in its most
32 recent annual report or provided by notice to the unit owners, or to
33 the president or secretary of the association at the address shown in
34 the association's most recent annual report or provided by notice to
35 the unit owners.

36 (b) Notice in a tangible medium to a unit owner or occupant must
37 be addressed to the unit address unless the unit owner or occupant
38 has requested, in a record delivered to the association, that notices

1 be sent to an alternate address or by other method allowed by this
2 section and the governing documents.

3 (3) Notice may be provided in an electronic transmission as
4 follows:

5 (a) Notice to unit owners or board members by electronic
6 transmission is effective only upon unit owners and board members who
7 have consented, in the form of a record, to receive electronically
8 transmitted notices under this chapter and have designated in the
9 consent the address, location, or system to which such notices may be
10 electronically transmitted, provided that such notice otherwise
11 complies with any other requirements of this chapter and applicable
12 law.

13 (b) Notice to unit owners or board members under this subsection
14 includes material that this chapter or the governing documents
15 requires or permits to accompany the notice.

16 (c) A unit owner or board member who has consented to receipt of
17 electronically transmitted notices may revoke this consent by
18 delivering a revocation to the association in the form of a record.

19 (d) The consent of any unit owner or board member is revoked if:
20 The association is unable to electronically transmit two consecutive
21 notices given by the association in accordance with the consent, and
22 this inability becomes known to the secretary of the association or
23 any other person responsible for giving the notice. The inadvertent
24 failure by the association to treat this inability as a revocation
25 does not invalidate any meeting or other action.

26 (e) Notice to unit owners or board members who have consented to
27 receipt of electronically transmitted notices may be provided by
28 posting the notice on an electronic network and delivering to the
29 unit owner or board member a separate record of the posting, together
30 with comprehensible instructions regarding how to obtain access to
31 the posting on the electronic network.

32 (f) Notice to an association in an electronic transmission is
33 effective only with respect to an association that has designated in
34 a record an address, location, or system to which the notices may be
35 electronically transmitted.

36 (4) Notice may be given by any other method reasonably calculated
37 to provide notice to the recipient.

38 (5) Notice is effective as follows:

39 (a) Notice provided in a tangible medium is effective as of the
40 date of hand delivery, deposit with the carrier, or when sent by fax.

1 (b) Notice provided in an electronic transmission is effective as
2 of the date it:

3 (i) Is electronically transmitted to an address, location, or
4 system designated by the recipient for that purpose; or

5 (ii) Has been posted on an electronic network and a separate
6 record of the posting has been sent to the recipient containing
7 instructions regarding how to obtain access to the posting on the
8 electronic network.

9 (6) The ineffectiveness of a good-faith effort to deliver notice
10 by an authorized means does not invalidate action taken at or without
11 a meeting.

12 (7) If this chapter prescribes different or additional notice
13 requirements for particular circumstances, those requirements govern.

14 NEW SECTION. **Sec. 325.** REMOVAL OF OFFICERS AND BOARD MEMBERS.

15 (1) Unit owners present in person, by proxy, or by absentee ballot at
16 any meeting of the unit owners at which a quorum is present may
17 remove any board member and any officer elected by the unit owners,
18 with or without cause, if the number of votes in favor of removal
19 cast by unit owners entitled to vote for election of the board member
20 or officer proposed to be removed is at least the lesser of (a) a
21 majority of the votes in the association held by such unit owners or
22 (b) two-thirds of the votes cast by such unit owners at the meeting,
23 but:

24 (i) A board member appointed by the declarant may not be removed
25 by a unit owner vote during any period of declarant control;

26 (ii) A board member appointed under section 305(3) of this act
27 may be removed only by the person that appointed that member; and

28 (iii) The unit owners may not consider whether to remove a board
29 member or officer at a meeting of the unit owners unless that subject
30 was listed in the notice of the meeting.

31 (2) At any meeting at which a vote to remove a board member or
32 officer is to be taken, the board member or officer being considered
33 for removal must have a reasonable opportunity to speak before the
34 vote.

35 (3) At any meeting at which a board member or officer is removed,
36 the unit owners entitled to vote for the board member or officer may
37 immediately elect a successor board member or officer consistent with
38 this chapter.

1 (4) The board may, without a unit owner vote, remove from the
2 board a board member or officer elected by the unit owners if (a) the
3 board member or officer is delinquent in the payment of assessments
4 more than sixty days and (b) the board member or officer has not
5 cured the delinquency within thirty days after receiving notice of
6 the board's intent to remove the board member or officer. Unless
7 provided otherwise by the governing documents, the board may remove
8 an officer elected by the board at any time, with or without cause.
9 The removal must be recorded in the minutes of the next board
10 meeting.

11 NEW SECTION. **Sec. 326.** ADOPTION OF BUDGETS—ASSESSMENTS AND
12 SPECIAL ASSESSMENTS. (1)(a) Within thirty days after adoption of any
13 proposed budget for the common interest community, the board must
14 provide a copy of the budget to all the unit owners and set a date
15 for a meeting of the unit owners to consider ratification of the
16 budget not less than fourteen nor more than fifty days after
17 providing the budget. Unless at that meeting the unit owners of units
18 to which a majority of the votes in the association are allocated or
19 any larger percentage specified in the declaration reject the budget,
20 the budget and the assessments against the units included in the
21 budget are ratified, whether or not a quorum is present.

22 (b) If the proposed budget is rejected or the required notice is
23 not given, the periodic budget last ratified by the unit owners
24 continues until the unit owners ratify a subsequent budget proposed
25 by the board.

26 (2) The budget must include:

27 (a) The projected income to the association by category;

28 (b) The projected common expenses and those specially allocated
29 expenses that are subject to being budgeted, both by category;

30 (c) The amount of the assessments per unit and the date the
31 assessments are due;

32 (d) The current amount of regular assessments budgeted for
33 contribution to the reserve account;

34 (e) A statement of whether the association has a reserve study
35 that meets the requirements of section 331 of this act and, if so,
36 the extent to which the budget meets or deviates from the
37 recommendations of that reserve study; and

38 (f) The current deficiency or surplus in reserve funding
39 expressed on a per unit basis.

1 (3) The board, at any time, may propose a special assessment. The
2 assessment is effective only if the board follows the procedures for
3 ratification of a budget described in subsection (1) of this section
4 and the unit owners do not reject the proposed assessment. The board
5 may provide that the special assessment may be due and payable in
6 installments over any period it determines and may provide a discount
7 for early payment.

8 NEW SECTION. **Sec. 327.** FINANCIAL STATEMENTS AND ASSOCIATION
9 FUNDS. (1) The association must prepare, or cause to be prepared, at
10 least annually, a financial statement of the association in
11 accordance with accrual based accounting practices.

12 (2) The financial statements of associations with annual
13 assessments of fifty thousand dollars or more must be audited at
14 least annually by a certified public accountant. In the case of an
15 association with annual assessments of less than fifty thousand
16 dollars, an annual audit is also required but may be waived annually
17 by unit owners other than the declarant of units to which a majority
18 of the votes in the association are allocated, excluding the votes
19 allocated to units owned by the declarant.

20 (3) The association must keep all funds of the association in the
21 name of the association with a qualified financial institution. The
22 funds must not be commingled with the funds of any other association
23 or with the funds of any managing agent of the association or any
24 other person, or be kept in any trust account or custodial account in
25 the name of any trustee or custodian.

26 (4) A managing agent who accepts or receives funds belonging to
27 the association must promptly deposit all such funds into an account
28 maintained by the association as provided in subsection (3) of this
29 section or section 328 of this act, as appropriate.

30 NEW SECTION. **Sec. 328.** RESERVE ACCOUNT—ESTABLISHMENT. An
31 association required to obtain a reserve study pursuant to section
32 330 of this act must establish one or more accounts for the deposit
33 of funds, if any, for the replacement costs of reserve components.
34 Any reserve account must be an income-earning account maintained
35 under the direct control of the board, and the board is responsible
36 for administering the reserve account.

1 NEW SECTION. **Sec. 329.** RESERVE ACCOUNT—WITHDRAWALS. (1) The
2 board may withdraw funds from the association's reserve account to
3 pay for unforeseen or unbudgeted costs that are unrelated to
4 replacement costs of the reserve components. Any such withdrawal must
5 be recorded in the minute books of the association. The board must
6 give notice of any such withdrawal to each unit owner and adopt a
7 repayment schedule not to exceed twenty-four months unless the board
8 determines that repayment within twenty-four months would impose an
9 unreasonable burden on the unit owners. The board must provide to
10 unit owners along with the annual budget adopted in accordance with
11 section 326 of this act (a) notice of any such withdrawal, (b) a
12 statement of the current deficiency in reserve funding expressed on a
13 per unit basis, and (c) the repayment plan.

14 (2) The board may withdraw funds from the reserve account without
15 satisfying the notification of repayment requirements under this
16 section to pay for replacement costs of reserve components not
17 included in the reserve study.

18 NEW SECTION. **Sec. 330.** RESERVE STUDY—PREPARATION. (1) Unless
19 exempt under subsection (2) of this section, an association must
20 prepare and update a reserve study in accordance with this chapter.
21 An initial reserve study must be prepared by a reserve study
22 professional and based upon either a reserve study professional's
23 visual site inspection of completed improvements or a review of plans
24 and specifications of or for unbuilt improvements, or both when
25 construction of some but not all of the improvements is complete. An
26 updated reserve study must be prepared annually. An updated reserve
27 study must be prepared at least every third year by a reserve study
28 professional and based upon a visual site inspection conducted by the
29 reserve study professional.

30 (2) Unless the governing documents require otherwise, subsection
31 (1) of this section does not apply (a) to common interest communities
32 containing units that are restricted in the declaration to
33 nonresidential use, (b) to common interest communities that have only
34 nominal reserve costs, or (c) when the cost of the reserve study or
35 update exceeds ten percent of the association's annual budget.

36 (3) The governing documents may impose greater requirements on
37 the board.

1 NEW SECTION. **Sec. 331.** RESERVE STUDY—CONTENTS. (1) Any reserve
2 study is supplemental to the association's operating and maintenance
3 budget.

4 (2) A reserve study must include:

5 (a) A reserve component list, including any reserve component,
6 the replacement cost of which exceeds one percent of the annual
7 budget of the association, excluding contributions to the reserves
8 for that reserve component. If one of these reserve components is not
9 included in the reserve study, the study must explain the basis for
10 its exclusion. The study must also include quantities and estimates
11 for the useful life of each reserve component, the remaining useful
12 life of each reserve component, and current major replacement costs
13 for each reserve component;

14 (b) The date of the study and a disclosure as to whether the
15 study meets the requirements of this section;

16 (c) The following level of reserve study performed:

17 (i) Level I: Full reserve study funding analysis and plan;

18 (ii) Level II: Update with visual site inspection; or

19 (iii) Level III: Update with no visual site inspection;

20 (d) The association's reserve account balance;

21 (e) The percentage of the fully funded balance to which the
22 reserve account is funded;

23 (f) Special assessments already implemented or planned;

24 (g) Interest and inflation assumptions;

25 (h) Current reserve account contribution rates for a full funding
26 plan and a baseline funding plan;

27 (i) A recommended reserve account contribution rate for a full
28 funding plan to achieve one hundred percent fully funded reserves by
29 the end of the thirty-year study period, a recommended reserve
30 account contribution rate for a baseline funding plan to maintain the
31 reserve account balance above zero throughout the thirty-year study
32 period without special assessments, and a reserve account
33 contribution rate recommended by the reserve study professional;

34 (j) A projected reserve account balance for thirty years based on
35 each funding plan presented in the reserve study;

36 (k) A disclosure on whether the reserve study was prepared with
37 the assistance of a reserve study professional, and whether the
38 reserve study professional was independent; and

39 (l) A statement of the amount of any current deficit or surplus
40 in reserve funding expressed on a dollars per unit basis. The amount

1 is calculated by subtracting the association's reserve account
2 balance as of the date of the study from the fully funded balance,
3 and then multiplying the result by the fraction or percentage of the
4 common expenses of the association allocable to each unit; except
5 that if the fraction or percentage of the common expenses of the
6 association allocable vary by unit, the association must calculate
7 any current deficit or surplus in a manner that reflects the
8 variation.

9 (3) A reserve study must also include the following disclosure:

10 "This reserve study should be reviewed carefully. It may not
11 include all common and limited common element components that will
12 require major maintenance, repair, or replacement in future years,
13 and may not include regular contributions to a reserve account for
14 the cost of such maintenance, repair, or replacement. The failure to
15 include a component in a reserve study, or to provide contributions
16 to a reserve account for a component, may, under some circumstances,
17 require the association to (1) defer major maintenance, repair, or
18 replacement, (2) increase future reserve contributions, (3) borrow
19 funds to pay for major maintenance, repair, or replacement, or (4)
20 impose special assessments for the cost of major maintenance, repair,
21 or replacement."

22 NEW SECTION. **Sec. 332.** RESERVE STUDY—DEMAND BY UNIT OWNERS—
23 ACTION TO ENFORCE. (1) When more than three years have passed since
24 the date of the last reserve study prepared by a reserve study
25 professional, unit owners of units to which at least twenty percent
26 of the votes in the association are allocated may demand in a record
27 delivered to the board that the cost of a reserve study be included
28 in the next annual budget and that the study be prepared by the end
29 of that budget year. The demand must refer to this section. The board
30 must, upon receipt of the demand, include the cost of a reserve study
31 in the next budget and, if that budget is not rejected by the unit
32 owners pursuant to section 326 of this act, arrange for the
33 preparation of a reserve study.

34 (2) One or more unit owners may bring an action to enforce the
35 requirements of this section and sections 330 and 331 of this act. In
36 such an action, a court may order specific performance and may award
37 reasonable attorneys' fees and costs to the prevailing party.

38 (3) A unit owner's duty to pay assessments is not excused because
39 of the association's failure to comply with this section and sections

1 330 and 331 of this act. A budget ratified by the unit owners
2 pursuant to section 326 of this act is not invalidated because of the
3 association's failure to comply with this section and sections 330
4 and 331 of this act.

5 NEW SECTION. **Sec. 333.** RESERVE STUDY—RESERVE ACCOUNT—IMMUNITY
6 FROM LIABILITY. Except for an award for attorneys' fees and costs
7 under section 332(2) of this act, monetary damages or other liability
8 may not be awarded against or imposed upon the association or its
9 officers or board members, or upon any person who may have provided
10 advice or assistance to the association or its officers or board
11 members, for failure to: Establish or replenish a reserve account,
12 have a current reserve study prepared or updated in accordance with
13 the requirements of this chapter, or make reserve disclosures in
14 accordance with this chapter.

15 **IV. PROTECTION OF PURCHASERS**

16 NEW SECTION. **Sec. 401.** APPLICABILITY—WAIVER. (1) Sections 402
17 through 420 of this act apply to all units subject to this chapter,
18 except as provided in subsections (2) and (3) of this section.

19 (2) Sections 402 through 420 of this act do not apply in the case
20 of:

21 (a) A conveyance by gift, devise, or descent;

22 (b) A conveyance pursuant to court order;

23 (c) A conveyance by a government or governmental agency;

24 (d) A conveyance by foreclosure;

25 (e) A conveyance of all of the units in a common interest
26 community in a single transaction;

27 (f) A conveyance to other than a purchaser;

28 (g) An agreement to convey that may be canceled at any time and
29 for any reason by the purchaser without penalty;

30 (h) A conveyance of a unit restricted to nonresidential uses,
31 except and to the extent otherwise agreed to in writing by the seller
32 and purchaser of that unit.

33 (3) Sections 414, 415, 416, 417, 419, and 420 of this act apply
34 only to condominiums created under this chapter, and do not apply to
35 other common interest communities.

1 NEW SECTION. **Sec. 402.** LIABILITY FOR PUBLIC OFFERING STATEMENT
2 REQUIREMENTS. (1) Except as provided otherwise in subsection (2) of
3 this section, a declarant required to deliver a public offering
4 statement pursuant to subsection (3) of this section must prepare a
5 public offering statement conforming to the requirements of sections
6 403, 404, and 405 of this act.

7 (2) A declarant may transfer responsibility for preparation of
8 all or a part of the public offering statement to a successor
9 declarant or to a dealer who intends to offer units in the
10 condominium.

11 (3)(a) Any declarant or dealer who offers to convey a unit for
12 the person's own account to a purchaser must provide the purchaser of
13 the unit with a copy of a public offering statement and all material
14 amendments to the public offering statement before conveyance of that
15 unit.

16 (b) Any agent, attorney, or other person assisting the declarant
17 or dealer in preparing the public offering statement may rely upon
18 information provided by the declarant or dealer without independent
19 investigation. The agent, attorney, or other person is not liable for
20 any material misrepresentation in or omissions of material facts from
21 the public offering statement unless the person had actual knowledge
22 of the misrepresentation or omission at the time the public offering
23 statement was prepared.

24 (c) The declarant or dealer is liable for any misrepresentation
25 contained in the public offering statement or for any omission of
26 material fact from the public offering statement if the declarant or
27 dealer had actual knowledge of the misrepresentation or omission or,
28 in the exercise of reasonable care, should have known of the
29 misrepresentation or omission.

30 (4) If a unit is part of a common interest community and is part
31 of any other real estate regime in connection with the sale of which
32 the delivery of a public offering statement is required under the
33 laws of this state, a single public offering statement conforming to
34 the requirements of sections 403, 404, and 405 of this act as those
35 requirements relate to each regime in which the unit is located, and
36 to any other requirements imposed under the laws of this state, may
37 be prepared and delivered in lieu of providing two or more public
38 offering statements.

39 (5) A declarant is not required to prepare and deliver a public
40 offering statement in connection with the sale of any unit owned by

1 the declarant, or to obtain for or provide to the purchaser a report
2 or statement required under sections 403(1)(oo), 405(1), or 412 of
3 this act, upon the later of:

4 (a) The termination or expiration of all special declarant
5 rights;

6 (b) The expiration of all periods within which claims or actions
7 for a breach of warranty arising from defects involving the common
8 elements under section 417 of this act must be filed or commenced,
9 respectively, by the association against the declarant; or

10 (c) The time when the declarant ceases to meet the definition of
11 a dealer under section 102 of this act.

12 (6) After the last to occur of any of the events described in
13 subsection (5) of this section, a declarant must deliver to the
14 purchaser of a unit owned by the declarant a resale certificate under
15 section 409(2) of this act together with:

16 (a) The identification of any real property not in the common
17 interest community that unit owners have a right to use and a
18 description of the terms of such use;

19 (b) A brief description or a copy of any express construction
20 warranties to be provided to the purchaser;

21 (c) A statement of any litigation brought by an owners'
22 association, unit owner, or governmental entity in which the
23 declarant or any affiliate of the declarant has been a defendant
24 arising out of the construction, sale, or administration of any
25 common interest community within the state of Washington within the
26 previous five years, together with the results of the litigation, if
27 known;

28 (d) Whether timesharing is permitted or prohibited, and, if
29 permitted, a statement that the purchaser of a time share unit is
30 entitled to receive the disclosure document required under chapter
31 64.36 RCW; and

32 (e) Any other information and cross-references that the declarant
33 believes will be helpful in describing the common interest community
34 to the purchaser, all of which may be included or not included at the
35 option of the declarant.

36 (7) A declarant is not liable to a purchaser for the failure or
37 delay of the association to provide the resale certificate in a
38 timely manner, but the purchase contract is voidable by the purchaser
39 of a unit sold by the declarant until the resale certificate required
40 under section 409(2) of this act and the information required under

1 subsection (6) of this section have been provided and for five days
2 thereafter or until conveyance, whichever occurs first.

3 NEW SECTION. **Sec. 403.** PUBLIC OFFERING STATEMENT—GENERAL
4 PROVISIONS. (1) A public offering statement must contain the
5 following information:

- 6 (a) The name and address of the declarant;
- 7 (b) The name and address or location of the management company,
8 if any;
- 9 (c) The relationship of the management company to the declarant,
10 if any;
- 11 (d) The name and address of the common interest community;
- 12 (e) A statement whether the common interest community is a
13 condominium, cooperative, plat community, or miscellaneous community;
- 14 (f) A list, current as of the date the public offering statement
15 is prepared, of up to the five most recent common interest
16 communities in which at least one unit was sold by the declarant or
17 an affiliate of the declarant within the past five years, including
18 the names of the common interest communities and their addresses;
- 19 (g) The nature of the interest being offered for sale;
- 20 (h) A general description of the common interest community,
21 including to the extent known to the declarant, the types and number
22 of buildings that the declarant anticipates including in the common
23 interest community and the declarant's schedule of commencement and
24 completion of such buildings and principal common amenities;
- 25 (i) The status of construction of the units and common elements,
26 including estimated dates of completion if not completed;
- 27 (j) The number of existing units in the common interest
28 community;
- 29 (k) Brief descriptions of (i) the existing principal common
30 amenities, (ii) those amenities that will be added to the common
31 interest community, and (iii) those amenities that may be added to
32 the common interest community;
- 33 (l) A brief description of the limited common elements, other
34 than those described in section 203 (1)(b) and (3) of this act, that
35 may be allocated to the units being offered for sale;
- 36 (m) The identification of any rights of persons other than unit
37 owners to use any of the common elements, and a description of the
38 terms of such use;

1 (n) The identification of any real property not in the common
2 interest community that unit owners have a right to use and a
3 description of the terms of such use;

4 (o) Any services the declarant provides or expenses that the
5 declarant pays that are not reflected in the budget, but that the
6 declarant expects may become at any subsequent time a common expense
7 of the association, and the projected common expense attributable to
8 each of those services or expenses;

9 (p) An estimate of any assessment or payment required by the
10 declaration to be paid by the purchaser of a unit at closing;

11 (q) A brief description of any liens or monetary encumbrances on
12 the title to the common elements that will not be discharged at
13 closing;

14 (r) A brief description or a copy of any express construction
15 warranties to be provided to the purchaser;

16 (s) A statement, as required under RCW 64.35.210, as to whether
17 the units or common elements of the common interest community are
18 covered by a qualified warranty;

19 (t) If applicable to the common interest community, a statement
20 whether the common interest community contains any multiunit
21 residential building subject to chapter 64.55 RCW and, if so,
22 whether:

23 (i) The building enclosure has been designed and inspected to the
24 extent required under RCW 64.55.010 through 64.55.090; and

25 (ii) Any repairs required under RCW 64.55.090 have been made;

26 (u) A statement of any unsatisfied judgments or pending suits
27 against the association and the status of any pending suits material
28 to the common interest community of which the declarant has actual
29 knowledge;

30 (v) A statement of any litigation brought by an owners'
31 association, unit owner, or governmental entity in which the
32 declarant or any affiliate of the declarant has been a defendant
33 arising out of the construction, sale, or administration of any
34 common interest community within the previous five years, together
35 with the results of the litigation, if known;

36 (w) A brief description of:

37 (i) Any restrictions on use or occupancy of the units contained
38 in the governing documents;

39 (ii) Any restrictions on the renting or leasing of units by the
40 declarant or other unit owners contained in the governing documents;

1 (iii) Any rights of first refusal to lease or purchase any unit
2 or any of the common elements contained in the governing documents;
3 and

4 (iv) Any restriction on the amount for which a unit may be sold
5 or on the amount that may be received by a unit owner on sale;

6 (x) A description of the insurance coverage provided for the
7 benefit of unit owners;

8 (y) Any current or expected fees or charges not included in the
9 common expenses to be paid by unit owners for the use of the common
10 elements and other facilities related to the common interest
11 community, together with any fees or charges not included in the
12 common expenses to be paid by unit owners to any master or other
13 association;

14 (z) The extent, if any, to which bonds or other assurances from
15 third parties have been provided for completion of all improvements
16 that the declarant is obligated to build pursuant to section 420 of
17 this act;

18 (aa) In a cooperative, a statement whether the unit owners are
19 entitled, for federal, state, and local income tax purposes, to a
20 pass-through of any deductions for payments made by the association
21 for real estate taxes and interest paid to the holder of a security
22 interest encumbering the cooperative;

23 (bb) In a cooperative, a statement as to the effect on every unit
24 owner's interest in the cooperative if the association fails to pay
25 real estate taxes or payments due to the holder of a security
26 interest encumbering the cooperative;

27 (cc) In a leasehold common interest community, a statement
28 whether the expiration or termination of any lease may terminate the
29 common interest community or reduce its size, the recording number of
30 any such lease or a statement of where the complete lease may be
31 inspected, the date on which such lease is scheduled to expire, a
32 description of the real estate subject to such lease, a statement
33 whether the unit owners have a right to redeem the reversion, a
34 statement whether the unit owners have a right to remove any
35 improvements at the expiration or termination of such lease, a
36 statement of any rights of the unit owners to renew such lease, and a
37 reference to the sections of the declaration where such information
38 may be found;

39 (dd) A summary of, and information on how to obtain a full copy
40 of, any reserve study and a statement as to whether or not it was

1 prepared in accordance with sections 330 and 331 of this act or the
2 governing documents;

3 (ee) A brief description of any arrangement described in section
4 123 of this act binding the association;

5 (ff) The estimated current common expense liability for the units
6 being offered;

7 (gg) Except for real property taxes, real property assessments
8 and utility liens, any assessments, fees, or other charges known to
9 the declarant and which, if not paid, may constitute a lien against
10 any unit or common elements in favor of any governmental agency;

11 (hh) A brief description of any parts of the common interest
12 community, other than the owner's unit, which any owner must
13 maintain;

14 (ii) Whether timesharing is permitted or prohibited, and, if
15 permitted, a statement that the purchaser of a timeshare unit is
16 entitled to receive the disclosure document required under chapter
17 64.36 RCW;

18 (jj) If the common interest community is subject to any special
19 declarant rights, the information required under section 404 of this
20 act;

21 (kk) Any liens on real estate to be conveyed to the association
22 required to be disclosed pursuant to section 411(3)(b) of this act;

23 (ll) A list of any physical hazards known to the declarant that
24 particularly affect the common interest community or the immediate
25 vicinity in which the common interest community is located and which
26 are not readily ascertainable by the purchaser;

27 (mm) Any building code violation of which the declarant has
28 actual knowledge and which has not been corrected;

29 (nn) If the common interest community contains one or more
30 conversion buildings, the information required under sections 405 and
31 412(6)(a) of this act;

32 (oo) If the public offering statement is related to conveyance of
33 a unit in a multiunit residential building as defined in RCW
34 64.55.010, for which the final certificate of occupancy was issued
35 more than sixty calendar months prior to the preparation of the
36 public offering statement either: A copy of a report prepared by an
37 independent, licensed architect or engineer or a statement by the
38 declarant based on such report that describes, to the extent
39 reasonably ascertainable, the present condition of all structural
40 components and mechanical and electrical installations of the

1 conversion buildings material to the use and enjoyment of the
2 conversion buildings;

3 (pp) Any other information and cross-references that the
4 declarant believes will be helpful in describing the common interest
5 community to the recipients of the public offering statement, all of
6 which may be included or not included at the option of the declarant;
7 and

8 (qq) A description of any age-related occupancy restrictions
9 affecting the common interest community.

10 (2) The public offering statement must begin with notices
11 substantially in the following forms and in conspicuous type:

12 (a) "RIGHT TO CANCEL. (1) You are entitled to receive a copy of
13 this public offering statement and all material amendments to this
14 public offering statement before conveyance of your unit. Under
15 section 408 of this act, you have the right to cancel your contract
16 for the purchase of your unit within seven days after first receiving
17 this public offering statement. If this public offering statement is
18 first provided to you more than seven days before you sign your
19 contract for the purchase of your unit, you have no right to cancel
20 your contract. If this public offering statement is first provided to
21 you seven days or less before you sign your contract for the purchase
22 of your unit, you have the right to cancel, before conveyance of the
23 unit, the executed contract by delivering, no later than the seventh
24 day after first receiving this public offering statement, a notice of
25 cancellation pursuant to section (3) of this notice. If this public
26 offering statement is first provided to you less than seven days
27 before the closing date for the conveyance of your unit, you may,
28 before conveyance of your unit to you, extend the closing date to a
29 date not more than seven days after you first received this public
30 offering statement, so that you may have seven days to cancel your
31 contract for the purchase of your unit.

32 (2) You have no right to cancel your contract upon receipt of an
33 amendment to this public offering statement; however, this does not
34 eliminate any right to rescind your contract, due to the disclosure
35 of the information in the amendment, that is otherwise available to
36 you under generally applicable contract law.

37 (3) If you elect to cancel your contract pursuant to this notice,
38 you may do so by hand-delivering notice of cancellation, or by
39 mailing notice of cancellation by prepaid United States mail, to the
40 seller at the address set forth in this public offering statement or

1 at the address of the seller's registered agent for service of
2 process. The date of such notice is the date of receipt, if hand-
3 delivered, or the date of deposit in the United States mail, if
4 mailed. Cancellation is without penalty, and all payments made to the
5 seller by you before cancellation must be refunded promptly."

6 (b) "OTHER DOCUMENTS CREATING BINDING LEGAL OBLIGATIONS. This
7 public offering statement is a summary of some of the significant
8 aspects of purchasing a unit in this common interest community. The
9 governing documents and the purchase agreement are complex, contain
10 other important information, and create binding legal obligations.
11 You should consider seeking the assistance of legal counsel."

12 (c) "OTHER REPRESENTATIONS. You may not rely on any statement,
13 promise, model, depiction, or description unless it is (1) contained
14 in the public offering statement delivered to you or (2) made in
15 writing signed by the declarant or dealer or the declarant's or
16 dealer's agent identified in the public offering statement. A
17 statement of opinion, or a commendation of the real estate, its
18 quality, or its value, does not create a warranty, and a statement,
19 promise, model, depiction, or description does not create a warranty
20 if it discloses that it is only proposed, is not representative, or
21 is subject to change."

22 (d) "MODEL UNITS. Model units are intended to provide you with a
23 general idea of what a finished unit might look like. Units being
24 offered for sale may vary from the model unit in terms of floor plan,
25 fixtures, finishes, and equipment. You are advised to obtain specific
26 information about the unit you are considering purchasing."

27 (e) "RESERVE STUDY. The association [does] [does not] have a
28 current reserve study. Any reserve study should be reviewed
29 carefully. It may not include all reserve components that will
30 require major maintenance, repair, or replacement in future years,
31 and may not include regular contributions to a reserve account for
32 the cost of such maintenance, repair, or replacement. You may
33 encounter certain risks, including being required to pay as a special
34 assessment your share of expenses for the cost of major maintenance,
35 repair, or replacement of a reserve component, as a result of the
36 failure to: (1) Have a current reserve study or fully funded
37 reserves, (2) include a component in a reserve study, or (3) provide
38 any or sufficient contributions to a reserve account for a
39 component."

1 (f) "DEPOSITS AND PAYMENTS. Only earnest money and reservation
2 deposits are required to be placed in an escrow or trust account. Any
3 other payments you make to the seller of a unit are at risk and may
4 be lost if the seller defaults."

5 (g) "CONSTRUCTION DEFECT CLAIMS. Chapter 64.50 RCW contains
6 important requirements you must follow before you may file a lawsuit
7 for defective construction against the seller or builder of your
8 home. Forty-five days before you file your lawsuit, you must deliver
9 to the seller or builder a written notice of any construction
10 conditions you allege are defective and provide your seller or
11 builder the opportunity to make an offer to repair or pay for the
12 defects. You are not obligated to accept any offer made by the
13 builder or seller. There are strict deadlines and procedures under
14 state law, and failure to follow them may affect your ability to file
15 a lawsuit."

16 (h) "ASSOCIATION INSURANCE. The extent to which association
17 insurance provides coverage for the benefit of unit owners (including
18 furnishings, fixtures, and equipment in a unit) is determined by the
19 provisions of the declaration and the association's insurance policy,
20 which may be modified from time to time. You and your personal
21 insurance agent should read the declaration and the association's
22 policy prior to closing to determine what insurance is required of
23 the association and unit owners, unit owners' rights and duties, what
24 is and is not covered by the association's policy, and what
25 additional insurance you should obtain."

26 (i) "QUALIFIED WARRANTY. Your unit [is] [is not] covered by a
27 qualified warranty under chapter 64.35 RCW. "

28 (3) The public offering statement must include copies of each of
29 the following documents: The declaration; the survey; the
30 organizational documents; the rules and regulations, if any; the
31 current or proposed budget for the association; a dated balance sheet
32 of the association; any inspection and repair report or reports
33 prepared in accordance with the requirements of RCW 64.55.090; and
34 any qualified warranty provided to a purchaser by a declarant
35 together with a history of claims under the qualified warranty. If
36 any of these documents are not in final form, the documents must be
37 marked "draft" and, before closing the sale of a unit, the purchaser
38 must be given notice of any material changes to the draft documents.

1 (4) A declarant must promptly amend the public offering statement
2 to reflect any material change in the information required under this
3 section.

4 NEW SECTION. **Sec. 404.** PUBLIC OFFERING STATEMENT—COMMON
5 INTEREST COMMUNITIES SUBJECT TO DEVELOPMENT RIGHTS. If the
6 declaration provides that a common interest community is subject to
7 any development rights or if the declarant reserves any special
8 declarant rights, the public offering statement must include, in
9 addition to the information required under section 403 of this act:

10 (1) A statement of all development rights and special declarant
11 rights reserved to the declarant, together with the dates or other
12 circumstances under which such rights must terminate; and

13 (2) A statement describing how the allocated interests of a unit
14 may be changed by the exercise of any development right.

15 NEW SECTION. **Sec. 405.** PUBLIC OFFERING STATEMENT—COMMON
16 INTEREST COMMUNITIES CONTAINING CONVERSION BUILDINGS. (1) A public
17 offering statement for a unit in a conversion building must contain,
18 in addition to the information required under sections 403, 404, and
19 412(6)(a) of this act:

20 (a) Either a copy of a report prepared by an independent,
21 licensed architect or engineer or a statement by the declarant based
22 on such report that describes, to the extent reasonably
23 ascertainable, the present condition of all structural components and
24 mechanical and electrical installations material to the use and
25 enjoyment of the common interest community;

26 (b) A statement by the declarant or dealer of the expected useful
27 life of each item reported on in (a) of this subsection or a
28 statement that no representations are made in that regard;

29 (c) A copy of any inspection and repair report for the conversion
30 building required under RCW 64.55.090, if applicable;

31 (d) A list of any outstanding notices of uncured violations of
32 building code or other municipal ordinances and regulations, together
33 with the estimated cost of curing those violations and a statement
34 that such list is not a representation that the conversion building
35 is in compliance with the current building code or other municipal
36 ordinances and regulations;

1 (e) A statement of the improvements to the conversion building
2 made or contracted for by the declarant or dealer, or affiliate of
3 either, offering the unit for sale; and

4 (f) The current deficiency or surplus in reserve funding
5 expressed on a per unit basis.

6 (2) The obligation to provide the information required in
7 subsection (1) of this section as to any particular conversion
8 building ceases on the earlier of (a) the date when all units in the
9 building have been conveyed to persons other than the declarant or a
10 dealer, or any affiliate of the declarant or dealer, or (b) the date
11 set forth in section 402(5) of this act.

12 NEW SECTION. **Sec. 406.** PUBLIC OFFERING STATEMENT—USE OF SINGLE
13 DISCLOSURE DOCUMENT. If a unit is offered for sale for which the
14 delivery of a public offering statement or other disclosure document
15 is required under the laws of any state or the United States, a
16 single disclosure document conforming to the requirements of sections
17 403, 404, and 405 of this act and conforming to any other requirement
18 imposed under such laws may be prepared and delivered in lieu of
19 providing two or more disclosure documents.

20 NEW SECTION. **Sec. 407.** PUBLIC OFFERING STATEMENT—CONTRACT OF
21 SALE—RESTRICTION ON INTEREST CONVEYED. In the case of a sale of a
22 unit in which delivery of a public offering statement is required, a
23 contract of sale may be executed unless otherwise prohibited by
24 applicable law, but interest in that unit may not be conveyed until:

25 (1) The declaration and map that create the common interest
26 community in which that unit is located are recorded pursuant to
27 sections 201(1) and 210(3) of this act; and

28 (2) In the case of a unit in a building containing that unit or a
29 building comprising that unit, the unit is substantially completed
30 and available for occupancy, and all structural components and
31 mechanical systems of the building containing or comprising that unit
32 are substantially completed, but a declarant or dealer and a
33 purchaser may otherwise specifically agree in writing as to the
34 extent to which the unit will not be substantially completed and
35 available and to which any structural components and mechanical
36 systems will not be substantially completed at the time of
37 conveyance.

1 NEW SECTION. **Sec. 408.** PURCHASER'S RIGHT TO CANCEL. (1) The
2 purchaser may cancel a contract for the purchase of the unit within
3 seven days after first receiving the public offering statement. If
4 the public offering statement is first provided to a purchaser more
5 than seven days before execution of a contract for the purchase of a
6 unit, the purchaser does not have the right under this section to
7 cancel the executed contract. If the public offering statement is
8 first provided to a purchaser seven days or less before the purchaser
9 signs a contract for the purchase of a unit, the purchaser, before
10 conveyance of the unit to the purchaser, may cancel the contract by
11 delivering, no later than the seventh day after first receiving the
12 public offering statement, a notice of cancellation, delivered
13 pursuant to subsection (3) of this section. If the public offering
14 statement is first provided to a purchaser less than seven days
15 before the closing date for the conveyance of that unit, the
16 purchaser may, before conveyance of the unit to the purchaser, extend
17 the closing date to a date not more than seven days after the
18 purchaser first received the public offering statement.

19 (2) A purchaser does not have the right under this section to
20 cancel a contract upon receipt of an amendment to a public offering
21 statement. This subsection must not be construed to eliminate any
22 right that is otherwise available to the purchaser under generally
23 applicable contract law to rescind the contract due to the disclosure
24 of the information in the amendment.

25 (3) If a purchaser elects to cancel a contract under subsection
26 (1) of this section, the purchaser may do so by hand-delivering
27 notice of cancellation, or by mailing notice of cancellation by
28 prepaid United States mail, to the declarant at the address set forth
29 in the public offering statement or at the address of the declarant's
30 registered agent for service of process. The date of such notice is
31 the date of receipt of delivery, if hand-delivered, or the date of
32 deposit in the United States mail, if mailed. Cancellation is without
33 penalty, and all payments made to the seller by the purchaser before
34 cancellation must be refunded promptly. There is no liability for
35 failure to deliver any amendment unless such failure would have
36 entitled the purchaser under generally applicable legal principles to
37 cancel the contract for the purchase of the unit had the undisclosed
38 information been evident to the purchaser before the closing of the
39 purchase.

1 (4) The language of the notice required under section 403(2)(a)
2 of this act must not be construed to modify the rights set forth in
3 this section.

4 NEW SECTION. **Sec. 409.** RESALES OF UNITS. (1) Except in the case
5 of a sale when delivery of a public offering statement is required,
6 or unless exempt under section 401(2) of this act, a unit owner must
7 furnish to a purchaser before execution of any contract for sale of a
8 unit, or otherwise before conveyance, a resale certificate, signed by
9 an officer or authorized agent of the association and based on the
10 books and records of the association and the actual knowledge of the
11 person signing the certificate, containing:

12 (a) A statement disclosing any right of first refusal or other
13 restraint on the free alienability of the unit contained in the
14 declaration;

15 (b) With respect to the selling unit owner's unit, a statement
16 setting forth the amount of any assessment currently due, any
17 delinquent assessments, and a statement of any special assessments
18 that have been levied and have not been paid even though not yet due;

19 (c) A statement, which must be current to within forty-five days,
20 of any assessments against any unit in the condominium that are past
21 due over thirty days;

22 (d) A statement, which must be current to within forty-five days,
23 of any monetary obligation of the association that is past due over
24 thirty days;

25 (e) A statement of any other fees payable to the association by
26 unit owners;

27 (f) A statement of any expenditure or anticipated repair or
28 replacement cost reasonably anticipated to be in excess of five
29 percent of the board-approved annual budget of the association,
30 regardless of whether the unit owners are entitled to approve such
31 cost;

32 (g) A statement whether the association does or does not have a
33 reserve study prepared in accordance with sections 330 and 331 of
34 this act;

35 (h) The annual financial statement of the association, including
36 the audit report if it has been prepared, for the year immediately
37 preceding the current year;

38 (i) The most recent balance sheet and revenue and expense
39 statement, if any, of the association;

1 (j) The current operating budget of the association;

2 (k) A statement of any unsatisfied judgments against the
3 association and the status of any legal actions in which the
4 association is a party or a claimant as defined in RCW 64.50.010;

5 (l) A statement describing any insurance coverage carried by the
6 association and contact information for the association's insurance
7 broker or agent;

8 (m) A statement as to whether the board has given or received
9 notice in a record that any existing uses, occupancies, alterations,
10 or improvements in or to the seller's unit or to the limited common
11 elements allocated to the unit violate any provision of the governing
12 documents;

13 (n) A statement of the number of units, if any, still owned by
14 the declarant, whether the declarant has transferred control of the
15 association to the unit owners, and the date of such transfer;

16 (o) A statement as to whether the board has received notice in a
17 record from a governmental agency of any violation of environmental,
18 health, or building codes with respect to the seller's unit, the
19 limited common elements allocated to that unit, or any other portion
20 of the common interest community that has not been cured;

21 (p) A statement of the remaining term of any leasehold estate
22 affecting the common interest community and the provisions governing
23 any extension or renewal of the leasehold estate;

24 (q) A statement of any restrictions in the declaration affecting
25 the amount that may be received by a unit owner upon sale;

26 (r) In a cooperative, an accountant's statement, if any was
27 prepared, as to the deductibility for federal income tax purposes by
28 the unit owner of real estate taxes and interest paid by the
29 association;

30 (s) A statement describing any pending sale or encumbrance of
31 common elements;

32 (t) A statement disclosing the effect on the unit to be conveyed
33 of any restrictions on the owner's right to use or occupy the unit or
34 to lease the unit to another person;

35 (u) A copy of the declaration, the organizational documents, the
36 rules or regulations of the association, the minutes of board
37 meetings and association meetings, except for any information exempt
38 from disclosure under section 320(3) of this act, for the last twelve
39 months, a summary of the current reserve study for the association,
40 and any other information reasonably requested by mortgagees of

1 prospective purchasers of units. Information requested generally by
2 the federal national mortgage association, the federal home loan bank
3 board, the government national mortgage association, the veterans
4 administration, or the department of housing and urban development is
5 deemed reasonable if the information is reasonably available to the
6 association;

7 (v) A statement whether the units or common elements of the
8 common interest community are covered by a qualified warranty under
9 chapter 64.35 RCW and, if so, a history of claims known to the
10 association as having been made under any such warranty;

11 (w) A description of any age-related occupancy restrictions
12 affecting the common interest community; and

13 (x) If the association does not have a reserve study that has
14 been prepared in accordance with sections 330 and 331 of this act or
15 its governing documents, the following disclosure:

16 "This association does not have a current reserve study. The lack
17 of a current reserve study poses certain risks to you, the purchaser.
18 Insufficient reserves may, under some circumstances, require you to
19 pay on demand as a special assessment your share of common expenses
20 for the cost of major maintenance, repair, or replacement of a common
21 element."

22 (2) The association, within ten days after a request by a unit
23 owner, and subject to the payment of any fees imposed pursuant to
24 section 302(2)(m) of this act, must furnish a resale certificate
25 signed by an officer or authorized agent of the association and
26 containing the information necessary to enable the unit owner to
27 comply with this section. For the purposes of this chapter, a
28 reasonable charge for the preparation of a resale certificate may not
29 exceed two hundred seventy-five dollars. The association may charge a
30 unit owner a nominal fee not to exceed one hundred dollars for
31 updating a resale certificate within six months of the unit owner's
32 request. A unit owner is not liable to the purchaser for any
33 erroneous information provided by the association and included in the
34 certificate.

35 (3)(a) A purchaser is not liable for any unpaid assessment or fee
36 greater than the amount set forth in the certificate prepared by the
37 association.

38 (b) A unit owner is not liable to a purchaser for the failure or
39 delay of the association to provide the certificate in a timely
40 manner, but the purchase contract is voidable by the purchaser until

1 the certificate has been provided and for five days thereafter or
2 until conveyance, whichever occurs first.

3 NEW SECTION. **Sec. 410.** ESCROW OF DEPOSITS. Any earnest money
4 deposit, as defined in RCW 64.04.005, or any reservation deposit made
5 in connection with the right to purchase a unit from a person
6 required to deliver a public offering statement pursuant to section
7 402(3) of this act must be placed in escrow and held in this state in
8 an escrow or trust account designated solely for that purpose by a
9 licensed title insurance company or agent, a licensed attorney, a
10 real estate broker or independent bonded escrow company, or an
11 institution whose accounts are insured by a governmental agency or
12 instrumentality until: (1) Delivered to the declarant at closing, (2)
13 delivered to the declarant because of the purchaser's default under a
14 contract to purchase the unit, (3) refunded to the purchaser, or (4)
15 delivered to a court in connection with the filing of an interpleader
16 action.

17 NEW SECTION. **Sec. 411.** RELEASE OF LIENS. (1) In the case of a
18 sale of a unit when delivery of a public offering statement is
19 required pursuant to section 402(3) of this act and subject to
20 subsection (2) of this section, a seller before conveying a unit:

21 (a) Must record or furnish to the purchaser releases of all liens
22 that encumber:

23 (i) In a condominium, that unit and its common element interest;
24 and

25 (ii) In a cooperative, plat community, or miscellaneous
26 community, that unit and any limited common elements assigned to that
27 unit; or

28 (b) Must provide the purchaser of that unit with title insurance
29 from a licensed title insurance company against any lien not released
30 pursuant to (a) of this subsection.

31 (2) Subsection (1) of this section does not apply to liens that
32 encumber:

33 (a) Real estate that a declarant has the right to withdraw from
34 the common interest community;

35 (b) In a condominium, the unit and its common element interest
36 being purchased, but no other unit, if the purchaser expressly agrees
37 in writing to take subject to or assume such lien;

1 (c) In a cooperative, plat community, or miscellaneous community,
2 the unit and any limited common element allocated to the unit being
3 purchased, but no other unit, if the purchaser expressly agrees in
4 writing to take subject to or assume such lien.

5 (3) Before conveying real property to the association, the
6 declarant must have that real property released from:

7 (a) All liens the foreclosure of which would deprive unit owners
8 of any right of access to or easement of support of their units; and

9 (b) All other liens on that real property unless the public
10 offering statement describes certain real property that may be
11 conveyed subject to liens in specified amounts.

12 NEW SECTION. **Sec. 412.** CONVERSION BUILDINGS—TENANT RIGHTS.

13 (1)(a) A declarant or dealer who intends to offer units in a
14 conversion building must give each of the residential tenants and any
15 residential subtenants in possession of a portion of a conversion
16 building notice of the conversion and provide those persons with the
17 public offering statement no later than one hundred twenty days
18 before the tenants and any subtenants in possession are required to
19 vacate. The notice must:

20 (i) Set forth generally the rights of residential tenants and
21 residential subtenants under this section;

22 (ii) Be delivered pursuant to notice requirements set forth in
23 RCW 59.12.040;

24 (iii) Expressly state whether there is a county or city
25 relocation assistance program for residential tenants or residential
26 subtenants of conversion buildings in the jurisdiction in which the
27 property is located. If the county or city does have a relocation
28 assistance program, the following must also be included in the
29 notice:

30 (A) A summary of the terms and conditions under which relocation
31 assistance is paid; and

32 (B) Contact information for the city or county relocation
33 assistance program, which must include, at a minimum, a telephone
34 number of the city or county department that administers the
35 relocation assistance program for conversion buildings.

36 (b) A residential tenant or residential subtenant may not be
37 required to vacate upon less than one hundred twenty days' notice,
38 except by reason of nonpayment of rent, waste, or conduct that
39 disturbs other residential tenants' or residential subtenants'

1 peaceful enjoyment of the premises, or act of unlawful detainer as
2 defined in RCW 59.12.030, and the terms of the tenancy may not be
3 altered during that period except as provided in (c) of this
4 subsection.

5 (c) At the declarant's option, the declarant may provide all
6 residential tenants and residential subtenants in a single conversion
7 building with an option to terminate their lease or rental agreements
8 without cause or consequence after providing the declarant with
9 thirty days' notice. In such case, residential tenants and
10 residential subtenants continue to have access to relocation
11 assistance under subsection (6)(e)(i) of this section.

12 (d)(i) Nothing in this subsection (1) waives or repeals RCW
13 59.18.200(2)(b).

14 (ii) Failure to give notice as required under this section is a
15 defense to an action for possession.

16 (e) The city or county in which the property is located may
17 require the declarant to forward a copy of the conversion notice
18 required in this subsection (1) to the appropriately designated
19 department or agency in the city or county for the purpose of
20 maintaining a list of common interest communities containing
21 conversion buildings in the jurisdiction.

22 (2)(a) For sixty days after delivery or mailing of the notice
23 described in subsection (1) of this section, the person required to
24 give the notice must offer to convey each unit or proposed unit
25 occupied for residential use to the residential tenant or residential
26 subtenant who leases that unit. If a residential tenant or
27 residential subtenant fails to purchase the unit during that sixty-
28 day period, the offeror may offer to dispose of an interest in that
29 unit during the following one hundred eighty days at a price or on
30 terms more favorable to the offeree than the price or terms offered
31 to the residential tenant or residential subtenant only if:

32 (i) Such offeror, by written notice mailed to the residential
33 tenant's or residential subtenant's last known address, offers to
34 sell an interest in that unit at the more favorable price and terms;
35 and

36 (ii) Such residential tenant or residential subtenant fails to
37 accept the offer in writing within ten days following the mailing of
38 the offer to the tenant or subtenant.

39 (b) This subsection (2) does not apply to any unit in a
40 conversion building if that unit will be restricted exclusively to

1 nonresidential use or the boundaries of the converted unit do not
2 substantially conform to the dimensions of the residential unit
3 before conversion.

4 (3) If a seller, in violation of subsection (2) of this section,
5 conveys a unit to a purchaser for value who has no actual knowledge
6 of the violation, the recording of the deed conveying the unit, or,
7 in a cooperative, the conveyance of the unit, extinguishes any right
8 a residential tenant or residential subtenant may have under
9 subsection (2) of this section to purchase that unit, but does not
10 affect the right of a residential tenant or residential subtenant to
11 recover damages from the seller for a violation of subsection (2) of
12 this section.

13 (4) If a notice of conversion specifies a date by which a unit or
14 proposed unit must be vacated and otherwise complies with this
15 chapter and chapter 59.18 RCW, the notice also constitutes a notice
16 to vacate specified under chapter 59.18 RCW.

17 (5) This section does not permit termination of a lease or
18 sublease by a declarant in violation of its terms.

19 (6) Notwithstanding section 105 of this act, a city or county may
20 by appropriate ordinance require with respect to any conversion
21 building within the jurisdiction of the city or county that:

22 (a) In addition to the statement required under section 405(1)(a)
23 of this act, the public offering statement must contain a copy of a
24 written inspection report of that building prepared by the
25 appropriate department of the city or county listing any violations
26 of the housing code or other governmental regulation that is
27 applicable regardless of whether the real property is owned as a
28 common interest community or in some other form of ownership. The
29 inspection must be made within forty-five days of the declarant's
30 written request, and the report must be issued within fourteen days
31 of the inspection being made. The inspection may not be required with
32 respect to any building for which a final certificate of occupancy
33 has been issued by the city or county within the preceding twenty-
34 four months, and any fee imposed for the making of such inspection
35 may not exceed the fee that would be imposed for the making of such
36 an inspection for a purpose other than complying with this subsection
37 (6)(a).

38 (b) Prior to the conveyance of any residential unit within a
39 conversion building, other than a conveyance to a declarant or
40 dealer, or affiliate of either:

1 (i) All violations disclosed in the inspection report provided
2 for in (a) of this subsection, and not otherwise waived by the city
3 or county, must be repaired; and

4 (ii) A certification must be obtained from the city or county
5 that such repairs have been made. The certification must be based on
6 a reinspection to be made within seven days of the declarant's
7 written request and be issued within seven days of the reinspection
8 being made;

9 (c) The repairs required to be made under (b) of this subsection
10 must be warranted by the declarant against defects due to workmanship
11 or materials for a period of one year following the completion of
12 such repairs;

13 (d) Prior to the conveyance of any residential unit within a
14 conversion building, other than a conveyance to a declarant or
15 dealer, or affiliate of either:

16 (i) The declarant must establish and maintain, during the one-
17 year warranty period provided under (c) of this subsection, an
18 account containing a sum equal to ten percent of the actual cost of
19 making the repairs required under (b) of this subsection;

20 (ii) During the one-year warranty period, the funds in the
21 account must be used exclusively for paying the actual cost of making
22 repairs required, or for otherwise satisfying claims made, under such
23 warranty;

24 (iii) Following the expiration of the one-year warranty period,
25 any funds remaining in the account must be immediately disbursed to
26 the declarant; and

27 (iv) The declarant must notify in writing the association and the
28 city or county as to the location of the account and any
29 disbursements from the account;

30 (e)(i) A declarant must pay relocation assistance, in an amount
31 to be determined by the city or county, which may not exceed a sum
32 equal to three months of the residential tenant's or residential
33 subtenant's rent at the time the conversion notice required under
34 subsection (1) of this section is received, to residential tenants or
35 residential subtenants:

36 (A) Who do not elect to purchase a unit in the common interest
37 community;

38 (B) Who are in lawful occupancy for residential purposes of a
39 unit in the conversion building; and

1 (C) Whose annual household income from all sources, on the date
2 of the notice described in subsection (1) of this section, was less
3 than an amount equal to eighty percent of:

4 (I) The annual median income for comparably sized households in
5 the standard metropolitan statistical area, as defined and
6 established by the United States department of housing and urban
7 development, in which the conversion building is located; or

8 (II) If the conversion building is not within a standard
9 metropolitan statistical area, the annual median income for
10 comparably sized households in the state of Washington, as defined
11 and determined by said department.

12 The household size of a unit must be based on the number of
13 persons actually in lawful occupancy of the unit. The residential
14 tenant or residential subtenant actually in lawful occupancy of the
15 unit is entitled to the relocation assistance. Relocation assistance
16 must be paid on or before the date the residential tenant or
17 residential subtenant vacates and is in addition to any damage
18 deposit or other compensation or refund to which the residential
19 tenant or residential subtenant is otherwise entitled. Unpaid rent or
20 other amounts owed by the residential tenant or residential subtenant
21 to the landlord may be offset against the relocation assistance.

22 (ii) Elderly residential tenants or residential subtenants and
23 residential tenants or residential subtenants with special needs who
24 otherwise meet the requirements of (e)(i)(A) of this subsection must
25 receive relocation assistance, the greater of:

26 (A) The sum described in (e)(i) of this subsection; or

27 (B) The sum of actual relocation expenses of the residential
28 tenant or residential subtenant, up to a maximum of one thousand five
29 hundred dollars in excess of the sum described in (e)(i) of this
30 subsection, which may include costs associated with the physical
31 move, first month's rent, and the security deposit for the dwelling
32 unit to which the residential tenant or residential subtenant is
33 relocating, rent differentials for up to a six-month period, and any
34 other reasonable costs or fees associated with the relocation.
35 Receipts for relocation expenses must be provided to the declarant by
36 eligible residential tenants or residential subtenants, and
37 declarants must provide the relocation assistance to residential
38 tenants or residential subtenants in a timely manner. The city or
39 county may provide additional guidelines for the relocation
40 assistance.

1 (iii) For the purposes of this subsection (6)(e):

2 (A) "Elderly" means a person who is at least sixty-five years of
3 age; and

4 (B) "Special needs" means a chronic mental illness or physical
5 disability, a developmental disability, or other condition affecting
6 cognition, disease, chemical dependency, or a medical condition that
7 is permanent, not reversible or curable, or is long lasting, and
8 severely limits a person's mental or physical capacity for self-care;

9 (f) Except as authorized under (g) of this subsection, a
10 declarant and any dealer may not begin any construction, remodeling,
11 or repairs to any interior portion of an occupied building that is to
12 become a conversion building during the one hundred twenty-day notice
13 period provided for in subsection (1) of this section unless all
14 residential tenants and residential subtenants who have elected not
15 to purchase a unit in the common interest community and who are in
16 lawful occupancy in the building have vacated the premises. For the
17 purposes of this subsection:

18 (i) "Construction, remodeling, or repairs" means the work that is
19 done for the purpose of establishing or selling units in a conversion
20 building, and does not mean the work that is done to maintain the
21 building or lot for the residential use of the existing residential
22 tenants or residential subtenants; and

23 (ii) "Occupied building" means a stand-alone structure occupied
24 by residential tenants or residential subtenants and does not include
25 other stand-alone buildings located on the property or detached
26 common area facilities; and

27 (g)(i) If a declarant or dealer has offered existing residential
28 tenants or residential subtenants an option to terminate an existing
29 lease or rental agreement without cause or consequence as authorized
30 under subsection (1)(c) of this section, a declarant and any dealer
31 may begin construction, remodeling, or repairs to interior portions
32 of an occupied building (A) to repair or remodel vacant units to be
33 used as model units, if the repair or remodel is limited to one model
34 for each unit type in the building; (B) to repair or remodel a vacant
35 unit or common element for use as a sales office; or (C) to do both.

36 (ii) The work performed under this subsection (6)(g) must not
37 violate the residential tenants' or residential subtenants' rights of
38 quiet enjoyment during the one hundred twenty-day notice period.

39 (7) Violations of any city or county ordinance adopted as
40 authorized under subsection (6) of this section gives rise to such

1 remedies, penalties, and causes of action that may be lawfully
2 imposed by the city or county. Such violations do not invalidate the
3 creation of the common interest community or the conveyance of any
4 interest in the common interest community.

5 NEW SECTION. **Sec. 413.** CONVERSION COMMON INTEREST COMMUNITY
6 PROJECT—REPORT. (1) All cities and counties planning under RCW
7 36.70A.040, which have inspected any conversion buildings or managed
8 the payment of relocation assistance within the jurisdiction within
9 the previous twelve-month period, must report annually to the
10 department of commerce the following information:

11 (a) The total number of apartment units converted into common
12 interest community units;

13 (b) The total number of conversion common interest community
14 projects; and

15 (c) The total number of residential tenants and residential
16 subtenants who receive relocation assistance.

17 (2) Upon completion of a conversion common interest community
18 project, a city or county may require the declarant to provide the
19 information described in subsection (1)(a) and (c) of this section
20 for the converted common interest community to the appropriately
21 designated department or agency in the city or county for the purpose
22 of complying with subsection (1) of this section.

23 NEW SECTION. **Sec. 414.** EXPRESS WARRANTIES OF QUALITY. (1)
24 Subject to subsections (2) and (3) of this section, express
25 warranties made by any declarant or dealer to a purchaser of a unit
26 in a condominium, if relied upon by the purchaser in purchasing the
27 unit, are created as follows:

28 (a) Any written affirmation of fact or written promise that
29 relates to the unit, its use, or rights appurtenant to the unit or
30 its use, improvements to the condominium that would directly benefit
31 the unit, or the right to use or have the benefit of facilities not
32 located in the condominium creates an express warranty that the unit
33 and related rights and uses will not materially deviate from the
34 affirmation or promise.

35 (b) Any written description of the physical characteristics of
36 the condominium at the time the purchase agreement is executed,
37 including plans and specifications of or for improvements, creates an

1 express warranty that the condominium will conform to the written
2 description in all material respects.

3 (c) Any written description of the quantity or extent of the real
4 estate comprising the condominium, including plats or surveys,
5 creates an express warranty that the condominium will conform to the
6 description, subject to customary tolerances.

7 (d) A written statement that a purchaser may put a unit only to a
8 specified use is an express warranty that the specified use is
9 lawful.

10 (2) Subject to subsection (3) of this section, neither formal
11 words, such as "warranty" or "guarantee," nor a specific intention to
12 make a warranty are necessary to create an express warranty, but a
13 statement of opinion or a commendation of the real estate, its
14 quality, or its value does not create a warranty, and a statement,
15 promise, model, depiction, or description does not create a warranty
16 if it discloses that it is only proposed, is not representative, or
17 is subject to change.

18 (3) A purchaser may not rely on any statement, affirmation,
19 promise, model, depiction, or description unless it is contained in
20 the public offering statement delivered to the purchaser or made in a
21 record signed by the declarant or dealer, or the declarant's or
22 dealer's agent identified in the public offering statement.

23 (4) Any conveyance of a unit transfers to the purchaser all
24 express warranties of quality made by the declarant or dealer.

25 NEW SECTION. **Sec. 415.** IMPLIED WARRANTIES OF QUALITY. (1) A
26 declarant and any dealer warrants to a purchaser of a condominium
27 unit that the unit will be in at least as good condition at the
28 earlier of the time of the conveyance or delivery of possession as it
29 was at the time of contracting, except for reasonable wear and tear
30 and damage by casualty or condemnation.

31 (2) A declarant and any dealer impliedly warrants to a purchaser
32 of a condominium unit that the unit and the common elements in the
33 condominium are suitable for the ordinary uses of real estate of its
34 type and that any improvements made or contracted for by such
35 declarant or dealer will be:

36 (a) Free from defective materials;

37 (b) Constructed in accordance with sound engineering and
38 construction standards;

39 (c) Constructed in a workmanlike manner; and

1 (d) Constructed in compliance with all laws then applicable to
2 such improvements.

3 (3) A declarant and any dealer warrants to a purchaser of a
4 condominium unit that may be used for residential use that an
5 existing use, continuation of which is contemplated by the parties,
6 does not violate applicable law at the earlier of the time of
7 conveyance or delivery of possession.

8 (4) Warranties imposed under this section may be excluded or
9 modified as specified in section 416 of this act.

10 (5) For purposes of this section, improvements made or contracted
11 for by an affiliate of a declarant are made or contracted for by the
12 declarant.

13 (6) Any conveyance of a condominium unit transfers to the
14 purchaser all of a declarant's or dealer's implied warranties of
15 quality.

16 (7)(a) In a proceeding for breach of any of the obligations
17 arising under this section, the plaintiff must show that the alleged
18 breach has adversely affected or will adversely affect the
19 performance of that portion of the unit or common elements alleged to
20 be in breach.

21 (b) As used in this subsection, an adverse effect must be more
22 than technical and must be significant to a reasonable person. To
23 establish an adverse effect, the person alleging the breach is not
24 required to prove that the breach renders the unit or common element
25 uninhabitable or unfit for its intended purpose.

26 (8) Proof of breach of any obligation arising under this section
27 is not proof of damages. Damages awarded for a breach of an
28 obligation arising under this section are the reasonable cost of
29 repairs. However, if it is established that the cost of such repairs
30 is clearly disproportionate to the loss in market value caused by the
31 breach, damages are limited to the loss in market value.

32 NEW SECTION. **Sec. 416.** EXCLUSION OR MODIFICATION OF IMPLIED
33 WARRANTIES OF QUALITY. (1) Except as limited under subsection (2) of
34 this section with respect to a purchaser of a condominium unit that
35 may be used for residential use, implied warranties of quality under
36 section 415 of this act:

37 (a) May be excluded or modified by written agreement of the
38 parties; and

1 (b) Are excluded by written expression of disclaimer, such as "as
2 is," "with all faults," or other language that in common
3 understanding calls the buyer's attention to the exclusion of
4 warranties.

5 (2) With respect to a purchaser of a condominium unit that may be
6 used for residential use, no disclaimer of implied warranties of
7 quality under section 415 of this act is effective, except that a
8 declarant and any dealer may disclaim liability in an instrument for
9 one or more specified defects or failures to comply with applicable
10 law, if:

11 (a) The declarant or dealer knows or has reason to believe that
12 the specific defects or failures exist at the time of disclosure;

13 (b) The disclaimer specifically describes the defects or
14 failures;

15 (c) The disclaimer includes a statement as to the effect of the
16 defects or failures;

17 (d) The disclaimer is bold faced, capitalized, underlined, or
18 otherwise set out from surrounding material so as to be conspicuous;
19 and

20 (e) The disclaimer is signed by the purchaser.

21 (3) A declarant or dealer may not make an express written
22 warranty of quality that limits the implied warranties of quality
23 made to the purchaser set forth in section 415 of this act.

24 NEW SECTION. **Sec. 417.** WARRANTIES OF QUALITY—BREACH—ACTIONS
25 FOR CONSTRUCTION DEFECT CLAIMS. (1) A proceeding for breach of any
26 obligations arising under section 414, 415, or 416 of this act must
27 be commenced within four years after the cause of action accrues. The
28 period for commencing an action for a breach accruing pursuant to
29 subsection (2)(a) of this section does not expire prior to one year
30 after termination of the period of declarant control, if any, under
31 section 304 of this act. Such periods may not be reduced by either
32 oral or written agreement or through the use of contractual claims or
33 notice procedures that require the filing or service of any claim or
34 notice prior to the expiration of the period specified in this
35 section.

36 (2) Subject to subsection (3) of this section, a cause of action
37 for breach of warranty of quality, regardless of the purchaser's lack
38 of knowledge of the breach, accrues:

39 (a) As to a unit, the latest of:

1 (i) The date the unit was conveyed to the purchaser to whom the
2 warranty is first made; or

3 (ii) The date any portion of the unit that constitutes a building
4 enclosure as defined in RCW 64.55.010(3) was completed; and

5 (b) As to each common element, at the latest of:

6 (i) The date the common element was completed;

7 (ii) The date the common element was added to the condominium; or

8 (iii) The date the first unit in the condominium was conveyed to
9 a bona fide purchaser.

10 (3) If a warranty of quality explicitly extends to future
11 performance or duration of any improvement or component of the
12 condominium, the cause of action accrues at the time the breach is
13 discovered or at the end of the period for which the warranty
14 explicitly extends, whichever is earlier.

15 (4) If a written notice of claim is served under RCW 64.50.020
16 within the time prescribed for the filing of an action under this
17 chapter, the statutes of limitation in this chapter and any
18 applicable statutes of repose for construction-related claims are
19 tolled until sixty days after the period of time during which the
20 filing of an action is barred under RCW 64.50.020.

21 NEW SECTION. **Sec. 418.** EFFECT OF VIOLATIONS ON RIGHTS OF ACTION
22 —ATTORNEYS' FEES. (1) A declarant, association, unit owner, or any
23 other person subject to this chapter may bring an action to enforce a
24 right granted or obligation imposed under this chapter or the
25 governing documents. The court may award reasonable attorneys' fees
26 and costs.

27 (2) Parties to a dispute arising under this chapter or the
28 governing documents may agree at any time to resolve the dispute by
29 any form of binding or nonbinding alternative dispute resolution.

30 NEW SECTION. **Sec. 419.** LABELING OF PROMOTIONAL MATERIAL.
31 Promotional material may not be displayed or delivered to prospective
32 purchasers of a condominium unit that describes or portrays an
33 unbuilt contemplated improvement in the condominium unless the
34 description or portrayal of the improvement in the promotional
35 material is conspicuously labeled or identified either as "MUST BE
36 BUILT" or as "NEED NOT BE BUILT" or words to that effect.

1 NEW SECTION. **Sec. 420.** IMPROVEMENTS—DECLARANT'S DUTIES. (1)

2 Except for improvements labeled "NEED NOT BE BUILT" on the map in
3 conformity to section 210(9) of this act, the declarant must complete
4 all improvements depicted on the map or other graphic representation
5 of a condominium, if the map or other graphic representation is
6 contained in the public offering statement or in any promotional
7 material approved or authorized by the declarant with respect to the
8 condominium.

9 (2) The declarant is subject to liability for the prompt repair
10 and restoration, to a condition compatible with the remainder of the
11 condominium, of any portion of the condominium damaged by the
12 exercise of rights reserved pursuant to or created under sections 211
13 through 217 of this act.

14 **V. MISCELLANEOUS**

15 **Sec. 501.** RCW 6.13.080 and 2013 c 23 s 2 are each amended to
16 read as follows:

17 The homestead exemption is not available against an execution or
18 forced sale in satisfaction of judgments obtained:

19 (1) On debts secured by mechanic's, laborer's, construction,
20 maritime, automobile repair, material supplier's, or vendor's liens
21 arising out of and against the particular property claimed as a
22 homestead;

23 (2) On debts secured (a) by security agreements describing as
24 collateral the property that is claimed as a homestead or (b) by
25 mortgages or deeds of trust on the premises that have been executed
26 and acknowledged by both spouses or both domestic partners or by any
27 claimant not married or in a state registered domestic partnership;

28 (3) On one spouse's or one domestic partner's or the community's
29 debts existing at the time of that spouse's or that domestic
30 partner's bankruptcy filing where (a) bankruptcy is filed by both
31 spouses or both domestic partners within a six-month period, other
32 than in a joint case or a case in which their assets are jointly
33 administered, and (b) the other spouse or other domestic partner
34 exempts property from property of the estate under the bankruptcy
35 exemption provisions of 11 U.S.C. Sec. 522(d);

36 (4) On debts arising from a lawful court order or decree or
37 administrative order establishing a child support obligation or
38 obligation to pay maintenance;

1 (5) On debts owing to the state of Washington for recovery of
2 medical assistance correctly paid on behalf of an individual
3 consistent with 42 U.S.C. Sec. 1396p;

4 (6) On debts secured by ((a ~~condominium's or homeowner~~)) an
5 association's lien(~~(. In order for an association to be exempt under~~
6 ~~this provision, the association must have provided a homeowner with~~
7 ~~notice that nonpayment of the association's assessment may result in~~
8 ~~foreclosure of the association lien and that the homestead protection~~
9 ~~under this chapter shall not apply. An association has complied with~~
10 ~~this notice requirement by mailing the notice, by first-class mail,~~
11 ~~to the address of the owner's lot or unit. The notice required in~~
12 ~~this subsection shall be given within thirty days from the date the~~
13 ~~association learns of a new owner, but in all cases the notice must~~
14 ~~be given prior to the initiation of a foreclosure. The phrase "learns~~
15 ~~of a new owner" in this subsection means actual knowledge of the~~
16 ~~identity of a homeowner acquiring title after June 9, 1988, and does~~
17 ~~not require that an association affirmatively ascertain the identity~~
18 ~~of a homeowner. Failure to give the notice specified in this~~
19 ~~subsection affects an association's lien only for debts accrued up to~~
20 ~~the time an association complies with the notice provisions under~~
21 ~~this subsection))~~); or

22 (7) On debts owed for taxes collected under chapters 82.08,
23 82.12, and 82.14 RCW but not remitted to the department of revenue.

24 NEW SECTION. Sec. 502. A new section is added to chapter 59.18
25 RCW to read as follows:

26 This chapter does not apply to any proprietary lease as defined
27 in section 102 of this act:

28 (1) Created after the effective date of this section; or

29 (2) If the lessor has amended its governing documents to provide
30 that chapter 64.--- RCW (the new chapter created in section 506 of
31 this act) will apply to the common interest community pursuant to
32 section 120 of this act.

33 NEW SECTION. Sec. 503. A new section is added to chapter 64.32
34 RCW to read as follows:

35 This chapter does not apply to common interest communities as
36 defined in section 102 of this act:

37 (1) Created after the effective date of this section; or

1 (2) That have amended their governing documents to provide that
2 chapter 64.--- RCW (the new chapter created in section 506 of this
3 act) will apply to the common interest community pursuant to section
4 120 of this act.

5 NEW SECTION. **Sec. 504.** A new section is added to chapter 64.34
6 RCW to read as follows:

7 This chapter does not apply to common interest communities as
8 defined in section 102 of this act:

9 (1) Created after the effective date of this section; or

10 (2) That have amended their governing documents to provide that
11 chapter 64.--- RCW (the new chapter created in section 506 of this
12 act) will apply to the common interest community pursuant to section
13 120 of this act.

14 NEW SECTION. **Sec. 505.** A new section is added to chapter 64.38
15 RCW to read as follows:

16 This chapter does not apply to common interest communities as
17 defined in section 102 of this act:

18 (1) Created after the effective date of this section; or

19 (2) That have amended their governing documents to provide that
20 chapter 64.--- RCW (the new chapter created in section 506 of this
21 act) will apply to the common interest community pursuant to section
22 120 of this act.

23 NEW SECTION. **Sec. 506.** Sections 101 through 420 of this act
24 constitute a new chapter in Title 64 RCW.

25 NEW SECTION. **Sec. 507.** This act takes effect July 1, 2018.

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