<u>SSB 5758</u> - S AMD **1023** By Senator Trudeau

ADOPTED 02/15/2022

On page 2, beginning on line 10, after "homeownership." strike 1 all material through "commission." on line 15 and insert "The program 2 3 must assist tenants in multifamily residential buildings that are planned to be converted to condominium ownership by providing 4 information and resources relating to homeownership. The commission 5 must refer such tenants to its home loan and down payment assistance 6 7 programs as well as any applicable homebuyer education seminars available through local partnerships. The commission may establish 8 income eligibility requirements for tenants and qualifying purchase 9 10 price thresholds under the program that are consistent with the requirements and thresholds under existing commission programs." 11

- 12 On page 2, after line 15, insert the following:
- "NEW SECTION. Sec. 3. A new section is added to chapter 64.34
 RCW to read as follows:

A declarant of a conversion condominium, and any dealer who intends to offer units in such a condominium, must provide a conversion condominium notice of the conversion to the Washington state housing finance commission no later than 120 days before the residential tenants and any residential subtenant in possession of a portion of a conversion condominium are required to vacate.

- NEW SECTION. Sec. 4. A new section is added to chapter 64.90 RCW to read as follows:
- A declarant or dealer who intends to offer units in a conversion building must provide a conversion building notice of the conversion to the Washington state housing finance commission no later than 120 days before the residential tenants and any residential subtenant in possession of a portion of a conversion building are required to vacate.
- 29 **Sec. 5.** RCW 64.34.440 and 2008 c 113 s 1 are each amended to 30 read as follows:

- (1) (a) A declarant of a conversion condominium, and any dealer who intends to offer units in such a condominium, shall give each of the residential tenants and any residential subtenant in possession of a portion of a conversion condominium notice of the conversion and provide those persons with the public offering statement no later than ((one hundred twenty)) 120 days before the tenants and any subtenant in possession are required to vacate. The notice must:
- 8 (i) Set forth generally the rights of tenants and subtenants 9 under this section;
- 10 (ii) Be delivered pursuant to notice requirements set forth in 11 RCW 59.12.040; ((and))
 - (iii) <u>Inform the residential tenants and subtenants about the resources and information available under the condominium conversion tenant-to-homeowner program created in section 2 of this act; and</u>
 - (iv) Expressly state whether there is a county or city relocation assistance program for tenants or subtenants of conversion condominiums in the jurisdiction in which the property is located. If the county or city does have a relocation assistance program, the following must also be included in the notice:
- 20 (A) A summary of the terms and conditions under which relocation 21 assistance is paid; and
 - (B) Contact information for the city or county relocation assistance program, which must include, at a minimum, a telephone number of the city or county department that administers the relocation assistance program for conversion condominiums.
 - (b) No tenant or subtenant may be required to vacate upon less than ((one hundred twenty)) 120 days' notice, except by reason of nonpayment of rent, waste, conduct that disturbs other tenants' peaceful enjoyment of the premises, or act of unlawful detainer as defined in RCW 59.12.030, and the terms of the tenancy may not be altered during that period except as provided in (c) of this subsection.
 - (c) At the declarant's option, the declarant may provide all tenants in a single building with an option to terminate their lease or rental agreements without cause or consequence after providing the declarant with ((thirty)) 30 days' notice. In such case, tenants continue to have access to relocation assistance under subsection (6) (e) of this section.

- (d) Nothing in this subsection shall be deemed to waive or repeal RCW 59.18.200(2). Failure to give notice as required by this section is a defense to an action for possession.
- (e) The city or county in which the property is located may require the declarant to forward a copy of the conversion notice required in (a) of this subsection to the appropriately designated department or agency in the city or county for the purpose of maintaining a list of conversion condominium projects proposed in the jurisdiction.
- (2) For ((sixty)) 60 days after delivery or mailing of the notice described in subsection (1) of this section, the person required to give the notice shall offer to convey each unit or proposed unit occupied for residential use to the tenant who leases that unit. If a tenant fails to purchase the unit during that ((sixty-day)) 60-day period, the offeror may offer to dispose of an interest in that unit during the following ((one hundred eighty)) 180 days at a price or on terms more favorable to the offeree than the price or terms offered to the tenant only if: (a) Such offeror, by written notice mailed to the tenant's last known address, offers to sell an interest in that unit at the more favorable price and terms, and (b) such tenant fails to accept such offer in writing within ten days following the mailing of the offer to the tenant. This subsection does not apply to any unit in a conversion condominium if that unit will be restricted exclusively to nonresidential use or the boundaries of the converted unit do not substantially conform to the dimensions of the residential unit before conversion.
- (3) If a seller, in violation of subsection (2) of this section, conveys a unit to a purchaser for value who has no knowledge of the violation, recording of the deed conveying the unit extinguishes any right a tenant may have to purchase that unit but does not affect the right of a tenant to recover damages from the seller for a violation of subsection (2) of this section.
- (4) If a notice of conversion specifies a date by which a unit or proposed unit must be vacated and otherwise complies with the provisions of this chapter and chapter 59.18 RCW, the notice also constitutes a notice to vacate specified by that statute.
- 37 (5) Nothing in this section permits termination of a lease by a declarant in violation of its terms.

2

3

4

5

7

8

9

1112

13

14

1516

17

18

19

2021

2223

24

25

26

27

28

29

30 31

32

33

34

35

(6) Notwithstanding RCW 64.34.050(1), a city or county may by appropriate ordinance require with respect to any conversion condominium within the jurisdiction of such city or county that:

- (a) In addition to the statement required by RCW 64.34.415(1)(a), the public offering statement shall contain a copy of the written inspection report prepared by the appropriate department of such city or county, which report shall list any violations of the housing code or other governmental regulation, which code or regulation is applicable regardless of whether the real property is owned as a condominium or in some other form of ownership; said inspection shall be made within ((forty-five)) 45 days of the declarant's written request therefor and said report shall be issued within ((fourteen)) 14 days of said inspection being made. Such inspection may not be required with respect to any building for which a final certificate of occupancy has been issued by the city or county within the preceding ((twenty-four)) 24 months; and any fee imposed for the making of such inspection may not exceed the fee that would be imposed for the making of such an inspection for a purpose other than complying with this subsection (6)(a);
 - (b) Prior to the conveyance of any residential unit within a conversion condominium, other than a conveyance to a declarant or affiliate of a declarant: (i) All violations disclosed in the inspection report provided for in (a) of this subsection, and not otherwise waived by such city or county, shall be repaired, and (ii) a certification shall be obtained from such city or county that such repairs have been made, which certification shall be based on a reinspection to be made within seven days of the declarant's written request therefor and which certification shall be issued within seven days of said reinspection being made;
 - (c) The repairs required to be made under (b) of this subsection shall be warranted by the declarant against defects due to workmanship or materials for a period of one year following the completion of such repairs;
- (d) Prior to the conveyance of any residential unit within a conversion condominium, other than a conveyance to a declarant or affiliate of a declarant: (i) The declarant shall establish and maintain, during the one-year warranty period provided under (c) of this subsection, an account containing a sum equal to ((ten)) 10 percent of the actual cost of making the repairs required under (b) of this subsection; (ii) during the one-year warranty period, the Code Rev/AI:jlb 4

- funds in such account shall be used exclusively for paying the actual cost of making repairs required, or for otherwise satisfying claims made, under such warranty; (iii) following the expiration of the one-year warranty period, any funds remaining in such account shall be immediately disbursed to the declarant; and (iv) the declarant shall notify in writing the association and such city or county as to the location of such account and any disbursements therefrom;
 - (e)(i) A declarant shall pay relocation assistance, in an amount to be determined by the city or county, which may not exceed a sum equal to three months of the tenant's or subtenant's rent at the time the conversion notice required under subsection (1) of this section is received, to tenants and subtenants:
 - (A) Who do not elect to purchase a unit;
- 14 (B) Who are in lawful occupancy for residential purposes of a 15 unit; and
 - (C) Whose annual household income from all sources, on the date of the notice described in subsection (1) of this section, was less than an amount equal to ((eighty)) 80 percent of:
 - (I) The annual median income for comparably sized households in the standard metropolitan statistical area, as defined and established by the United States department of housing and urban development, in which the condominium is located; or
 - (II) If the condominium is not within a standard metropolitan statistical area, the annual median income for comparably sized households in the state of Washington, as defined and determined by said department.

The household size of a unit shall be based on the number of persons actually in lawful occupancy of the unit. The tenant or subtenant actually in lawful occupancy of the unit shall be entitled to the relocation assistance. Relocation assistance shall be paid on or before the date the tenant or subtenant vacates and shall be in addition to any damage deposit or other compensation or refund to which the tenant is otherwise entitled. Unpaid rent or other amounts owed by the tenant or subtenant to the landlord may be offset against the relocation assistance;

- 36 (ii) Elderly or special needs tenants who otherwise meet the 37 requirements of (e)(i)(A) of this subsection shall receive relocation 38 assistance, the greater of:
 - (A) The sum described in (e)(i) of this subsection; or

- (B) The sum of actual relocation expenses of the tenant, up to a maximum of ((one thousand five hundred dollars)) \$1,500 in excess of the sum described in (e)(i) of this subsection, which may include costs associated with the physical move, first month's rent, and the security deposit for the dwelling unit to which the tenant is relocating, rent differentials for up to a six-month period, and any other reasonable costs or fees associated with the relocation. Receipts for relocation expenses must be provided to the declarant by eligible tenants, and declarants shall provide the relocation assistance to tenants in a timely manner. The city or county may provide additional guidelines for the relocation assistance;
 - (iii) For the purposes of this subsection (6)(e):

- (A) "Special needs" means, but is not limited to, a chronic mental illness or physical disability, a developmental disability, or other condition affecting cognition, disease, chemical dependency, or a medical condition that is permanent, not reversible or curable, or is long lasting, and severely limits a person's mental or physical capacity for self-care; and
- (B) "Elderly" means a person who is at least ((sixty-five)) 65 years of age;
- (f) Except as authorized under (g) of this subsection, a declarant and any dealer shall not begin any construction, remodeling, or repairs to any interior portion of an occupied building that is to be converted to a condominium during the ((one hundred twenty-day)) 120-day notice period provided for in subsection (1) of this section unless all residential tenants and residential subtenants who have elected not to purchase a unit and who are in lawful occupancy in the building have vacated the premises. For the purposes of this subsection:
- (i) "Construction, remodeling, or repairs" means the work that is done for the purpose of converting the condominium, not work that is done to maintain the building or lot for the residential use of the existing tenants or subtenants;
- (ii) "Occupied building" means a stand-alone structure occupied by tenants and does not include other stand-alone buildings located on the property or detached common area facilities; and
- (g)(i) If a declarant or dealer has offered existing tenants an option to terminate an existing lease or rental agreement without cause or consequence as authorized under subsection (1)(c) of this section, a declarant and any dealer may begin construction, Code Rev/AI:jlb 6 S-4473.1/22

- 1 remodeling, or repairs to interior portions of an occupied building
- 2 (A) to repair or remodel vacant units to be used as model units, if
- 3 the repair or remodel is limited to one model for each unit type in
- 4 the building, (B) to repair or remodel a vacant unit or common area
- 5 for use as a sales office, or (C) to do both.

1920

21

22

2324

25

31

32

33

34

- 6 (ii) The work performed under this subsection (6)(g) must not 7 violate the tenant's or subtenant's rights of quiet enjoyment during 8 the ((one hundred twenty-day)) 120-day notice period.
- 9 (7) Violations of any city or county ordinance adopted as 10 authorized by subsection (6) of this section shall give rise to such 11 remedies, penalties, and causes of action which may be lawfully 12 imposed by such city or county. Such violations shall not invalidate 13 the creation of the condominium or the conveyance of any interest 14 therein.
- 15 **Sec. 6.** RCW 64.90.655 and 2018 c 277 s 412 are each amended to 16 read as follows:
 - (1)(a) A declarant or dealer who intends to offer units in a conversion building must give each of the residential tenants and any residential subtenants in possession of a portion of a conversion building notice of the conversion and provide those persons with the public offering statement no later than ((one hundred twenty)) 120 days before the tenants and any subtenants in possession are required to vacate. The notice must:
 - (i) Set forth generally the rights of residential tenants and residential subtenants under this section;
- 26 (ii) Be delivered pursuant to notice requirements set forth in 27 RCW 59.12.040;
- 28 (iii) <u>Inform the residential tenants and subtenants about the</u>
 29 <u>resources and information available under the condominium conversion</u>
 30 <u>tenant-to-homeowner program created in section 2 of this act; and</u>
 - (iv) Expressly state whether there is a county or city relocation assistance program for residential tenants or residential subtenants of conversion buildings in the jurisdiction in which the property is located. If the county or city does have a relocation assistance program, the following must also be included in the notice:
- 36 (A) A summary of the terms and conditions under which relocation 37 assistance is paid; and
- 38 (B) Contact information for the city or county relocation 39 assistance program, which must include, at a minimum, a telephone Code Rev/AI:jlb 7 S-4473.1/22

number of the city or county department that administers the relocation assistance program for conversion buildings.

- (b) A residential tenant or residential subtenant may not be required to vacate upon less than ((one hundred twenty)) 120 days' notice, except by reason of nonpayment of rent, waste, or conduct that disturbs other residential tenants' or residential subtenants' peaceful enjoyment of the premises, or act of unlawful detainer as defined in RCW 59.12.030, and the terms of the tenancy may not be altered during that period except as provided in (c) of this subsection.
- (c) At the declarant's option, the declarant may provide all residential tenants and residential subtenants in a single conversion building with an option to terminate their lease or rental agreements without cause or consequence after providing the declarant with thirty days' notice. In such case, residential tenants and residential subtenants continue to have access to relocation assistance under subsection (6) (e) (i) of this section.
- (d)(i) Nothing in this subsection (1) waives or repeals RCW 59.18.200(2)(b).
- (ii) Failure to give notice as required under this section is a defense to an action for possession.
 - (e) The city or county in which the property is located may require the declarant to forward a copy of the conversion notice required in this subsection (1) to the appropriately designated department or agency in the city or county for the purpose of maintaining a list of common interest communities containing conversion buildings in the jurisdiction.
 - (2)(a) For ((sixty)) 60 days after delivery or mailing of the notice described in subsection (1) of this section, the person required to give the notice must offer to convey each unit or proposed unit occupied for residential use to the residential tenant or residential subtenant who leases that unit. If a residential tenant or residential subtenant fails to purchase the unit during that ((sixty-day)) 60-day period, the offeror may offer to dispose of an interest in that unit during the following ((one hundred eighty)) 180 days at a price or on terms more favorable to the offeree than the price or terms offered to the residential tenant or residential subtenant only if:
- 39 (i) Such offeror, by written notice mailed to the residential 40 tenant's or residential subtenant's last known address, offers to Code Rev/AI:jlb 8 S-4473.1/22

1 sell an interest in that unit at the more favorable price and terms; and 2

3

4

5 6

7

8

9

10

11 12

13

14

15 16

17

18

19

20 21

22

23

24 25

26

27

28 29

30 31

32

33

34

35

36

37

38 39

- (ii) Such residential tenant or residential subtenant fails to accept the offer in writing within ((ten)) $\underline{10}$ days following the mailing of the offer to the tenant or subtenant.
- This subsection (2) does not apply to any unit in a conversion building if that unit will be restricted exclusively to nonresidential use or the boundaries of the converted unit do not substantially conform to the dimensions of the residential unit before conversion.
- (3) If a seller, in violation of subsection (2) of this section, conveys a unit to a purchaser for value who has no actual knowledge of the violation, the recording of the deed conveying the unit, or, in a cooperative, the conveyance of the unit, extinguishes any right residential tenant or residential subtenant may have under subsection (2) of this section to purchase that unit, but does not affect the right of a residential tenant or residential subtenant to recover damages from the seller for a violation of subsection (2) of this section.
- (4) If a notice of conversion specifies a date by which a unit or proposed unit must be vacated and otherwise complies with this chapter and chapter 59.18 RCW, the notice also constitutes a notice to vacate specified under chapter 59.18 RCW.
- (5) This section does not permit termination of a lease or sublease by a declarant in violation of its terms.
- (6) Notwithstanding RCW 64.90.025, a city or county may by appropriate ordinance require with respect to any conversion building within the jurisdiction of the city or county that:
- In addition to the statement required under 64.90.620(1)(a), the public offering statement must contain a copy of a written inspection report of that building prepared by the appropriate department of the city or county listing any violations of the housing code or other governmental regulation that is applicable regardless of whether the real property is owned as a common interest community or in some other form of ownership. The inspection must be made within ((forty-five)) 45 days of the declarant's written request, and the report must be issued within ((fourteen)) 14 days of the inspection being made. The inspection may not be required with respect to any building for which a final certificate of occupancy has been issued by the city or county within

the preceding ((twenty-four)) 24 months, and any fee imposed for the making of such inspection may not exceed the fee that would be imposed for the making of such an inspection for a purpose other than complying with this subsection (6)(a).

5

7

8

9

10 11

12

1314

15

16

17

18

1920

21

22

23

2425

26

27

2829

30

3435

- (b) Prior to the conveyance of any residential unit within a conversion building, other than a conveyance to a declarant or dealer, or affiliate of either:
- (i) All violations disclosed in the inspection report provided for in (a) of this subsection, and not otherwise waived by the city or county, must be repaired; and
- (ii) A certification must be obtained from the city or county that such repairs have been made. The certification must be based on a reinspection to be made within seven days of the declarant's written request and be issued within seven days of the reinspection being made;
- (c) The repairs required to be made under (b) of this subsection must be warranted by the declarant against defects due to workmanship or materials for a period of one year following the completion of such repairs;
- (d) Prior to the conveyance of any residential unit within a conversion building, other than a conveyance to a declarant or dealer, or affiliate of either:
- (i) The declarant must establish and maintain, during the one-year warranty period provided under (c) of this subsection, an account containing a sum equal to ((ten)) 10 percent of the actual cost of making the repairs required under (b) of this subsection;
- (ii) During the one-year warranty period, the funds in the account must be used exclusively for paying the actual cost of making repairs required, or for otherwise satisfying claims made, under such warranty;
- (iii) Following the expiration of the one-year warranty period, any funds remaining in the account must be immediately disbursed to the declarant; and
 - (iv) The declarant must notify in writing the association and the city or county as to the location of the account and any disbursements from the account;
- (e) (i) A declarant must pay relocation assistance, in an amount to be determined by the city or county, which may not exceed a sum equal to three months of the residential tenant's or residential subtenant's rent at the time the conversion notice required under Code Rev/AI:jlb

 10

 S-4473.1/22

subsection (1) of this section is received, to residential tenants or residential subtenants:

- (A) Who do not elect to purchase a unit in the common interest community;
- (B) Who are in lawful occupancy for residential purposes of a unit in the conversion building; and
- (C) Whose annual household income from all sources, on the date of the notice described in subsection (1) of this section, was less than an amount equal to ((eighty)) 80 percent of:
- (I) The annual median income for comparably sized households in the standard metropolitan statistical area, as defined and established by the United States department of housing and urban development, in which the conversion building is located; or
- (II) If the conversion building is not within a standard metropolitan statistical area, the annual median income for comparably sized households in the state of Washington, as defined and determined by said department.

The household size of a unit must be based on the number of persons actually in lawful occupancy of the unit. The residential tenant or residential subtenant actually in lawful occupancy of the unit is entitled to the relocation assistance. Relocation assistance must be paid on or before the date the residential tenant or residential subtenant vacates and is in addition to any damage deposit or other compensation or refund to which the residential tenant or residential subtenant is otherwise entitled. Unpaid rent or other amounts owed by the residential tenant or residential subtenant to the landlord may be offset against the relocation assistance.

- (ii) Elderly residential tenants or residential subtenants and residential tenants or residential subtenants with special needs who otherwise meet the requirements of (e)(i)(A) of this subsection must receive relocation assistance, the greater of:
 - (A) The sum described in (e)(i) of this subsection; or
- (B) The sum of actual relocation expenses of the residential tenant or residential subtenant, up to a maximum of ((one thousand five hundred dollars)) \$1,500 in excess of the sum described in (e)(i) of this subsection, which may include costs associated with the physical move, first month's rent, and the security deposit for the dwelling unit to which the residential tenant or residential subtenant is relocating, rent differentials for up to a six-month period, and any other reasonable costs or fees associated with the

- relocation. Receipts for relocation expenses must be provided to the declarant by eligible residential tenants or residential subtenants, and declarants must provide the relocation assistance to residential tenants or residential subtenants in a timely manner. The city or county may provide additional guidelines for the relocation assistance.
 - (iii) For the purposes of this subsection (6)(e):
- 8 (A) "Elderly" means a person who is at least ((sixty-five)) 65 9 years of age; and
 - (B) "Special needs" means a chronic mental illness or physical disability, a developmental disability, or other condition affecting cognition, disease, chemical dependency, or a medical condition that is permanent, not reversible or curable, or is long lasting, and severely limits a person's mental or physical capacity for self-care;
 - (f) Except as authorized under (g) of this subsection, a declarant and any dealer may not begin any construction, remodeling, or repairs to any interior portion of an occupied building that is to become a conversion building during the ((one hundred twenty-day)) 120-day notice period provided for in subsection (1) of this section unless all residential tenants and residential subtenants who have elected not to purchase a unit in the common interest community and who are in lawful occupancy in the building have vacated the premises. For the purposes of this subsection:
 - (i) "Construction, remodeling, or repairs" means the work that is done for the purpose of establishing or selling units in a conversion building, and does not mean the work that is done to maintain the building or lot for the residential use of the existing residential tenants or residential subtenants; and
 - (ii) "Occupied building" means a stand-alone structure occupied by residential tenants or residential subtenants and does not include other stand-alone buildings located on the property or detached common area facilities; and
 - (g) (i) If a declarant or dealer has offered existing residential tenants or residential subtenants an option to terminate an existing lease or rental agreement without cause or consequence as authorized under subsection (1)(c) of this section, a declarant and any dealer may begin construction, remodeling, or repairs to interior portions of an occupied building (A) to repair or remodel vacant units to be used as model units, if the repair or remodel is limited to one model

- for each unit type in the building; (B) to repair or remodel a vacant unit or common element for use as a sales office; or (C) to do both.
 - (ii) The work performed under this subsection (6)(g) must not violate the residential tenants' or residential subtenants' rights of quiet enjoyment during the ((one hundred twenty-day)) 120-day notice period.
 - (7) Violations of any city or county ordinance adopted as authorized under subsection (6) of this section gives rise to such remedies, penalties, and causes of action that may be lawfully imposed by the city or county. Such violations do not invalidate the creation of the common interest community or the conveyance of any interest in the common interest community."
- Renumber the remaining sections consecutively and correct any internal references accordingly.

<u>SSB 5758</u> - S AMD **1023** By Senator Trudeau

3

4

5

7

8

9

10

11

12

ADOPTED 02/15/2022

On page 2, at the beginning of line 2 of the title, strike all material through "43.180 RCW;" and insert "64.34.440, 64.90.655, and 43.185B.020; adding a new section to chapter 43.180 RCW; adding a new section to chapter 64.34 RCW; adding a new section to chapter 64.90 RCW;"

 $\underline{\text{EFFECT:}}$ (1) Clarifies the purpose of and programs available under the condominium conversion tenant-to-homeowner program.

- (2) Authorizes the housing finance commission to establish certain program requirements and thresholds consistent with current commission programs.
- (3) Requires condominium and building conversion declarants to provide a 120-day notice to the housing finance commission.
- (4) Requires the 120-day condominium conversion notice to tenants and subtenants to include information about the condominium conversion tenant-to-homeowner program.

--- END ---