

HOUSE BILL REPORT

SHB 1070

As Passed Legislature

Title: An act relating to exempting the sale and leaseback of property by a seller from the residential landlord-tenant act when the seller agrees to a written lease at closing.

Brief Description: Exempting the sale and leaseback of property by a seller from the residential landlord-tenant act when the seller agrees to a written lease at closing.

Sponsors: House Committee on Housing (originally sponsored by Representatives Connors, Reeves, Hutchins, Schmidt, Peterson, Christian, Rude, Klicker, Barkis and Walsh).

Brief History:

Committee Activity:

Housing: 1/12/23, 1/19/23 [DPS].

Floor Activity:

Passed House: 1/25/23, 96-0.

Passed Senate: 3/22/23, 49-0.

Passed Legislature.

Brief Summary of Substitute Bill

- Exempts from the Residential Landlord-Tenant Act a living arrangement where the buyer and seller of a dwelling unit enter into a written agreement for the seller to occupy the dwelling unit for up to six months after closing of the sale.

HOUSE COMMITTEE ON HOUSING

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 13 members: Representatives Peterson, Chair; Alvarado, Vice Chair; Leavitt, Vice Chair; Klicker, Ranking Minority Member; Connors, Assistant Ranking Minority Member; Barkis, Bateman, Chopp, Entenman, Hutchins, Low, Reed and Taylor.

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

Staff: Audrey Vasek (786-7383).

Background:

The Residential Landlord-Tenant Act (RLTA) regulates the relationship between landlords and tenants, and includes provisions regarding the duties of tenants and landlords, remedies for violations of those duties, and prohibited actions.

Certain types of living arrangements are exempt from the RLTA unless primarily established to avoid application of the RLTA, including:

- residence at public or private institutions where residence is incidental to detention or provision of medical, religious, educational, recreational, or similar services;
- occupancy under a bona fide earnest money agreement or contract to purchase a dwelling unit where the tenant is the purchaser;
- residence in a hotel, motel, or other transient lodging;
- rental agreements where occupancy is by an owner-condemnee whose property has been condemned by the Department of Transportation for acquisition as state highway property, if the agreement is certified by the Attorney General's Office;
- rental agreements for the use of a single-family residence that are incidental to and entered into in connection with a lease of land to be used primarily for agricultural purposes;
- rental agreements providing housing for seasonal agricultural employees in conjunction with employment;
- rental agreements with the Department of Natural Resources on public lands; and
- occupancy by a landlord's employee whose right to occupy the premises is conditioned upon employment on the premises.

Summary of Substitute Bill:

An exemption from the Residential Landlord-Tenant Act is added for living arrangements where the buyer and seller of a dwelling unit enter into a written agreement for the seller to retain possession of the dwelling unit after closing of the sale if the following conditions are satisfied:

- the rental agreement permits the seller to remain in the dwelling unit for no more than three months after closing, and the buyer does not accept any rent payments from the seller after three months from closing;
- the dwelling unit was not a distressed home at the time of closing, as defined in the distressed property conveyances chapter; and
- the seller was represented by a licensed attorney or licensed real estate broker during negotiation of the purchase agreement or at the time of closing.

Appropriation: None.

Fiscal Note: Not requested.

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

Staff Summary of Public Testimony:

(In support) Leaseback agreements are an important tool for real estate professionals and sellers. Sellers often want to be able to leaseback their home. Sometimes sellers want to leaseback their home for short periods so that they can clean up the house and get it ready before the buyer moves into the home. Sometimes sellers want to leaseback their home for longer periods if they are waiting for their new house to close, if they need the equity from their current home to close on their new home, or if the moving costs are high and a leaseback is the only way to make it affordable.

Leaseback agreements are currently subject to the Residential Landlord-Tenant Act. This means that if the seller refuses to move out after the end of the leaseback period, the buyer and seller have to go through eviction proceedings. Buyers are not typically trying to become landlords for the home that they have just purchased. This is confusing for the seller and the buyer, and sometimes means that instead of entering into a leaseback agreement, the seller has to leave the house quickly and in a mess.

(Opposed) None.

(Other) In some instances, a leaseback could be part of a predatory scheme to rob a homeowner of their equity in the home. In these distressed conveyance scenarios, often these homeowners are elderly and at risk of foreclosure. They receive unsolicited offers to purchase their home at well below fair market value, are given a leaseback, and then evicted and lose all the equity in their home. The bill could be amended to address these concerns.

Persons Testifying: (In support) Representative April Connors, prime sponsor; and Mary Hull-Drury and Phil Harlan, Washington Realtors.

(Other) Edmund Witter, King County Bar Association.

Persons Signed In To Testify But Not Testifying: None.