

SENATE BILL REPORT

SB 5496

As of February 3, 2025

Title: An act relating to preserving homeownership options by limiting excessive home buying by certain entities.

Brief Description: Preserving homeownership options by limiting excessive home buying by certain entities.

Sponsors: Senators Alvarado, Orwall, Bateman, Conway, Frame, Hasegawa, Lovelett, Nobles, Saldaña, Stanford, Trudeau, Valdez, Wellman and Wilson, C..

Brief History:

Committee Activity: Housing: 2/05/25.

Brief Summary of Bill

- Prohibits an investment entity, or a business entity that has an interest in more than 25 single-family residential properties, from purchasing, acquiring or otherwise obtaining an interest in another single-family residential property, with certain exceptions.
- Creates a civil penalty that may be enforced by the Attorney General's Office under the Consumer Protection Act.

SENATE COMMITTEE ON HOUSING

Staff: Bill Fosbre (786-7531)

Background: Business entities in Washington State including associations, companies, firms, partnerships, corporations, limited liability companies, and limited liability partnerships are regulated by various state laws, which govern such things as registration, licensing, and labor and tax requirements.

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.

Investment entities, such as real estate investment trusts (REITs), are companies that own or finance income-producing real estate that may include residential, or commercial real estate properties, or both. Most REITs trade on major stock exchanges and are regulated by federal securities laws, and under certain circumstances the Securities Act of Washington. REITs are also subject to regulations that cover other business entities.

The Consumer Protection Act (CPA) prohibits unfair or deceptive acts or practices in trade or commerce, the formation of contracts, combinations, and conspiracies in restraint of trade or commerce, and monopolies. A person injured by a violation of the CPA may bring a civil action to enjoin further violations and recover actual damages, costs, and attorneys' fees.

The attorney general (AG) may bring an action in the name of the state, or on behalf of persons residing in the state, against any person to enjoin violations of the CPA and obtain restitution. The AG may seek civil penalties up to the statutorily authorized maximums against any person who violates the CPA. Civil penalties are paid to the state.

Summary of Bill: The bill as referred to committee not considered.

Summary of Bill (Proposed Substitute): A business entity that has an interest in more than 25 single-family residential properties may not purchase, acquire, or otherwise obtain an interest in another single-family residential property.

An investment entity may not purchase, acquire, or otherwise obtain an interest in a single-family residential property.

A business entity or investment entity is not subject to this prohibition if the entity is:

- a nonprofit corporation or nonprofit legal entity;
- purchasing an existing single-family residential property and making modifications to the property that are necessary to achieve substantial compliance with existing building codes;
- purchasing an existing single-family residential property to increase the number of residential units on the property, only if the entity cannot hold a single-family residential structure for more than five years without applying for building permits;
- acquiring an ownership in single-family residential property through construction of new properties; or
- a business entity purchasing through foreclosure or otherwise acquiring a single-family residential property where the business entity is currently servicing a recorded loan on the property.

Any entity who violates this act shall pay a civil penalty of not more than \$100,000 for each violation and sell the property in violation to an independent third party within one year of the date that the court enters the judgment. The AG's Office may enforce a violation of this law under the CPA.

By June 30, 2026, the Department of Commerce shall submit a report to the appropriate committees of the Legislature with recommendations to disincentivize business and investment entities from maintaining ownership of single-family residential properties.

Appropriation: None.

Fiscal Note: Requested on January 27, 2025.

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

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