

May 2019

WA Condo Laws Change and Rioters Fill the Streets!

Ok, not really. I mean, the condo laws did change and it is a very big deal. But nobody's rioting in the streets.

Here's the background:

Washington's condo act dramatically discouraged condo construction by making it very easy to bring lawsuits against condo developers. Two parts of the law were especially at issue:

1. Broad and vague language allowed HOAs to sue for any real or potential defect of a condo building – whether proven or not.
2. Lawyers would pressure HOA board members (they're just resident-owner volunteers) to sue regardless of the situation, saying that if the HOA board did not sue the developer, and future issues arose, then the board members would have failed their fiduciary duty and could end up personally liable for the building's future repair costs.

So, the merry-go-round of build, get sued, lose money was a ride that was no fun for developers and they stopped building condos – switching to apartments instead. In the last few years, the insurance industry created products that simply factored in the costs of getting sued and so some condo developments did move forward. But that heavy legal expense drove up development costs, leaving only downtown high-rise luxury condos economically viable.

But the condo law changed! Here's how:

1. Lawsuits must now prove actual damage was or will be caused by construction defects.
2. HOA board members cannot be held personally liable for problems with the condo building.

Why it matters:

The changes to the law will lower the risk and cost of developing condos. As a result, new condos will be delivered at more affordable prices in the neighborhoods of Seattle (not just downtown). According to Zillow, median value of a single-family home in Seattle was \$758,800 in March 2019. Median value of a condo was \$481,500. With more condos being built at lower prices this will translate into more affordable housing options for the city. This is overall good news, and will particularly benefit entry level home buyers in the next few years.

