

Condo Liability Reform: HB 1403 and HB 1516

Creating affordable homeownership opportunities for first time homebuyers to build wealth, stay rooted in their communities, and thrive.



Condominiums represent a critical opportunity for first-time homebuyers to start building equity and security through affordable homeownership. According to Redfin, the 2023 median sales price of a condo in Seattle was \$250k less than a townhome and \$400k less than a single-family home. Due to the increasingly high cost of housing, there has been significant interest to scale the production of condos across Washington State.

Despite the clear value of condos as an entry point for individuals and families seeking to start their homeownership journey, **condo construction in Washington has, for decades, lagged far behind the need.** Condos represent around 5.3% of the overall housing stock in WA (U.S. Census Bureau ACS 2019 5-Year), but only 1% or less of new construction since 2011 (WA State Dept. of Commerce, 2022).

A major cause of the underproduction of condos is **imbalanced construction defect liability language in state statute** that greatly exceeds what is required of detached housing or apartments (RCW 64.34 & RCW 64.90). **Broad and vague statutory language has greatly increased the likelihood of litigation** from HOAs and has made it difficult to defend against defect claims, even in cases where a remedy is offered. **Higher litigation risk leads to higher insurance costs that get added directly to the cost of new condos.** As a result, the condos that do get built are largely at higher price levels—or developers avoid building condos altogether in favor of other, less risky housing types. According to the findings of a 2022 condo report from the WA State Department of Commerce:

“Developers . . . stated that they were not interested in condo development due to increased costs, risks, or previous experience with litigation.”

“In total, stakeholders emphasized there are currently very few incentives to build condos in Washington, particularly in comparison to other types of housing such as single detached or multifamily apartments.”



Despite recent attempts to fix condo liability in Washington, barriers persist. This deprives the housing market of an essential, and accessible, homeownership option. **Fortunately, we have a big opportunity in 2025 to make condos more attractive to build in WA**, all while balancing consumer protections and construction quality. **HB 1403 will:**

- Clarify vague **“implied warranties of quality”** language, making it easier to define standards and understand risk.
- Create **warranty alternative for small condo projects or condo ADUs** that insures these projects more like low-density residential homes vs. high-rise towers.
- Disincentivize bad faith claims with “loser pays fees” option in cases where an offer to remedy the defect or a compromise is rejected.
- Add an **arbitration clause** for claims of \$500k or less to reduce unnecessary jury trials.
- **HB 1516** is a complementary bill that will study the unique condo issues that “permanently affordable homeownership” models face. This bill represents an important early step to find targeted solutions for income-restricted homeownership.

Rebalancing condo liability in Washington State is long overdue. Together, we can unlock more homeownership opportunities for first-time homeowners, families looking to build intergenerational wealth, and accessible options for people to stay rooted in their communities and thrive as they age.