2 **SHB 2565** - H AMD

3 By Representative

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- 5 Strike everything after the enacting clause and insert the 6 following:
- 7 "NEW SECTION. Sec. 1. The legislature finds, declares, and 8 determines that limited changes in the law are necessary and 9 appropriate concerning actions claiming damages, indemnity, or contribution in connection with alleged construction defects. It is 10 the intent of the legislature that this chapter apply to these types of 11 12 civil actions while preserving adequate rights and remedies for
- NEW SECTION. Sec. 2. Unless the context clearly requires otherwise, the definitions in this section apply throughout this chapter.

property owners who bring and maintain such actions.

- (1) "Action" means any civil lawsuit or action in contract or tort 17 18 for damages or indemnity brought against a construction professional to 19 assert a claim, whether by complaint, counterclaim, or cross-claim, for 20 damage or the loss of use of real or personal property caused by a defect in the construction of a residence or in the substantial remodel 21 22 of a residence. "Action" does not include any civil action in tort alleging personal injury or wrongful death to a person or persons 23 24 resulting from a construction defect.
- (2) "Association" means an association, master association, or subassociation as defined and provided for in RCW 64.34.020(4), 64.34.276, 64.34.278, and 64.38.010(1).
- (3) "Claimant" means a homeowner or association who asserts a claim against a construction professional concerning a defect in the construction of a residence or in the substantial remodel of a residence.
- 32 (4) "Construction professional" means an architect, builder, 33 builder vendor, contractor, subcontractor, engineer, or inspector, 34 including, but not limited to, a dealer as defined in RCW 64.34.020(12) 35 and a declarant as defined in RCW 64.34.020(13), performing or

- furnishing the design, supervision, inspection, construction, or observation of the construction of any improvement to real property, whether operating as a sole proprietor, partnership, corporation, or other business entity.
- 5 (5) "Homeowner" means: (a) Any person, company, firm, partnership, 6 corporation, or association who contracts with a construction 7 professional for the construction, sale, or construction and sale of a 8 residence; and (b) an "association" as defined in this section. 9 "Homeowner" includes, but is not limited to, a subsequent purchaser of a residence from any homeowner.
- 11 (6) "Residence" means a single-family house, duplex, triplex, 12 quadraplex, or a unit in a multiunit residential structure in which 13 title to each individual unit is transferred to the owner under a 14 condominium or cooperative system, and shall include common elements as 15 defined in RCW 64.34.020(6) and common areas as defined in RCW 16 64.38.010(4).
- 17 (7) "Serve" or "service" means personal service or delivery by 18 certified mail to the last known address of the addressee.
- 19 (8) "Substantial remodel" means a remodel of a residence, for which 20 the total cost exceeds one-half of the assessed value of the residence 21 for property tax purposes at the time the contract for the remodel work 22 was made.
- 23 NEW SECTION. Sec. 3. (1) In every construction defect action 24 brought against a construction professional, the claimant shall, no later than forty-five days before filing an action, serve written 25 26 notice of claim on the construction professional, by registered mail or personal service. The notice of claim shall state that the claimant 27 asserts a construction defect claim against the construction 28 29 professional and shall describe the claim in reasonable detail sufficient to determine the general nature of the defect and the 30 problems resulting from the defect. 31
- (2) Within twenty-one days after service of the notice of claim, the construction professional shall serve a written response on the claimant by registered mail or personal service. The written response shall:
- 36 (a) Propose to inspect the residence that is the subject of the 37 claim and to complete the inspection within a specified time frame. 38 The proposal shall include the statement that the construction

- 1 professional shall, based on the inspection, offer to remedy the 2 defect, compromise by payment, or dispute the claim;
- 3 (b) Offer to compromise and settle the claim by monetary payment 4 without inspection. A construction professional's offer under this 5 subsection (2)(b) to compromise and settle a homeowner's claim may 6 include, but is not limited to, an express offer to purchase the 7 claimant's residence that is the subject of the claim, and to pay the 8 claimant's reasonable relocation costs; or
- 9 (c) State that the construction professional disputes the claim and will neither remedy the construction defect nor compromise and settle 11 the claim.
- 12 (3)(a) If the construction professional disputes the claim or does 13 not respond to the claimant's notice of claim within the time stated in 14 subsection (2) of this section, the claimant may bring an action 15 against the construction professional for the claim described in the 16 notice of claim without further notice.
- (b) If the claimant rejects the inspection proposal or the 17 settlement offer made by the construction professional pursuant to 18 19 subsection (2) of this section, the claimant shall serve written notice of the claimant's rejection on the construction professional. After 20 service of the rejection, the claimant may bring an action against the 21 construction professional for the construction defect claim described 22 If the construction professional has not 23 in the notice of claim. 24 received from the claimant, within thirty days after the claimant's 25 receipt of the construction professional's response, either an 26 acceptance or rejection of the inspection proposal or settlement offer, 27 then at anytime thereafter the construction professional may terminate the proposal or offer by written notice to the claimant, and the 28 29 claimant may thereafter bring an action against the construction 30 professional for the construction defect claim described in the notice of claim. 31
- claimant elects to 32 (4)(a) If the allow the construction construction 33 professional to inspect in accordance with the professional's proposal pursuant to subsection (2)(a) of this section, 34 the claimant shall provide the construction professional and its 35 contractors or other agents reasonable access to the claimant's 36 37 residence during normal working hours to inspect the premises and the 38 claimed defect.

- 1 (b) Within fourteen days following completion of the inspection, 2 the construction professional shall serve on the claimant:
- 3 (i) A written offer to remedy the construction defect at no cost to 4 the claimant, including a description of the additional construction 5 that the construction professional has determined from the inspection 6 will be necessary to remedy the defect described in the claim, and a 7 timetable for the completion of such construction;
- 8 (ii) A written offer to compromise and settle the claim by monetary 9 payment pursuant to subsection (2)(b) of this section; or
- 10 (iii) A written statement that the construction professional will 11 not proceed further to remedy the defect.
- 12 (c) If the construction professional does not proceed further to 13 remedy the construction defect within the agreed timetable, or if the 14 construction professional fails to comply with the provisions of (b) of 15 this subsection, the claimant may bring an action against the 16 construction professional for the claim described in the notice of 17 claim without further notice.

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- (d) If the claimant rejects the offer made by the construction professional pursuant to (b)(i) or (ii) of this subsection to either remedy the construction defect or to compromise and settle the claim by monetary payment, the claimant shall serve written notice of the claimant's rejection on the construction professional. After service of the rejection notice, the claimant may, in accordance with this chapter, bring an action against the construction professional for the construction defect claim described in the notice of claim. construction professional has not received from the claimant, within thirty days after the claimant's receipt of the construction professional's response, either an acceptance or rejection of the offer made pursuant to (b)(i) or (ii) of this subsection, then at anytime thereafter the construction professional may terminate the proposal or offer by written notice to the claimant, and the claimant may thereafter bring an action against the construction professional for the construction defect claim described in the notice of claim.
- (5)(a) Any claimant accepting the offer of a construction professional to remedy the construction defect pursuant to subsection (4)(b)(i) of this section shall do so by serving the construction professional with a written notice of acceptance within a reasonable time period after receipt of the offer, and no later than thirty days after receipt of the offer. The claimant shall provide the

- 1 construction professional and its contractors or other agents 2 reasonable access to the claimant's residence during normal working 3 hours to perform and complete the construction by the timetable stated 4 in the offer.
- 5 (b) The claimant and construction professional may, by written 6 mutual agreement, alter the extent of construction or the timetable for 7 completion of construction stated in the offer, including, but not 8 limited to, repair of additional defects.
- 9 (6) Any action commenced by a claimant prior to compliance with the 10 requirements of this section shall be subject to dismissal without 11 prejudice, and may not be recommenced until the claimant has complied 12 with the requirements of this section.
- 13 (7) Nothing in this section may be construed to prevent a claimant 14 from commencing an action on the construction defect claim described in 15 the notice of claim if:
- (a) The construction professional fails to perform the construction agreed upon, fails to remedy the defect, or fails to perform by the timetable agreed upon pursuant to subsection (2)(a) or (5) of this section; or

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- (b) Notwithstanding the completion of the construction agreed upon, the claimant later discovers latent construction defects that the claimant attributes to the construction professional, but that were not discoverable by a reasonable person at the time of such completion. Any claimant who intends to bring an action for such latent construction defects may do so only after complying with the requirements of this section.
- 27 (8) Prior to commencing any action alleging a construction defect, or after the dismissal of any action without prejudice pursuant to 28 29 subsection (6) of this section, the claimant may amend the notice of 30 claim to include construction defects discovered after the service of the original notice of claim but not discoverable by a reasonable 31 person at the time of the original claim, and must otherwise comply 32 with the requirements of this section for the additional claims. 33 34 service of an amended notice of claim shall relate back to the original 35 notice of claim for purposes of tolling the statute of limitations. Claims for defects discovered after the commencement or recommencement 36 37 of an action may be added to such action only after complying with the requirements of this section with respect to such subsequently 38 39 discovered defects.

- NEW SECTION. Sec. 4. (1) In every action brought against a construction professional, the claimant, including a construction professional asserting a claim against another construction professional, shall file with the court and serve on the defendant a list of known construction defects in accordance with this section.
- 6 (2) The list of known construction defects shall contain a 7 description of the construction that the claimant alleges to be 8 defective. The list of known construction defects shall be filed with 9 the court and served on the defendant within thirty days after the 10 commencement of the action or within such longer period as the court in 11 its discretion may allow.
- 12 (3) The list of known construction defects may be amended by the 13 claimant to identify additional construction defects as they become 14 known to the claimant.
- 15 (4) The list of known construction defects must specify, to the 16 extent known to the claimant, the construction professional responsible 17 for each alleged defect identified by the claimant.
- 18 (5) If a subcontractor or supplier is added as a party to an action 19 under this section, the claimant making the claim against such 20 subcontractor or supplier shall serve on the defendant the list of 21 construction defects in accordance with this section within thirty days 22 after service of the complaint against the subcontractor or supplier or 23 within such period as the court in its discretion may allow.
- NEW SECTION. Sec. 5. (1)(a) In the event the board of directors, pursuant to RCW 64.34.304(1)(d) or 64.38.020(4), institutes an action asserting defects in the construction of two or more residences, common elements, or common areas, this section shall apply. For purposes of this section, "action" has the same meaning as set forth in section 2 of this act.
- 30 (b) The board of directors shall substantially comply with the 31 provisions of this section.
- (2)(a) Prior to the service of the summons and complaint on any defendant with respect to an action governed by this section, the board of directors shall mail or deliver written notice of the commencement or anticipated commencement of such action to each homeowner at the last known address described in the association's records.
- 37 (b) The notice required by (a) of this subsection shall state a 38 general description of the following:

- 1 (i) The nature of the action and the relief sought; and
- 2 (ii) The expenses and fees that the board of directors anticipates 3 will be incurred in prosecuting the action.
 - (3) Nothing in this section may be construed to:

- 5 (a) Require the disclosure in the notice or the disclosure to a 6 unit owner of attorney-client communications or other privileged 7 communications;
- 8 (b) Permit the notice to serve as a basis for any person to assert 9 the waiver of any applicable privilege or right of confidentiality 10 resulting from, or to claim immunity in connection with, the disclosure 11 of information in the notice; or
- 12 (c) Limit or impair the authority of the board of directors to 13 contract for legal services, or limit or impair the ability to enforce 14 such a contract for legal services.
- 15 NEW SECTION. Sec. 6. (1) The construction professional shall provide notice to each homeowner upon entering into a contract for 16 sale, construction, or substantial remodel of a residence, for which 17 18 the cost of the remodel exceeds half of the appraised value of the 19 existing residence, of the construction professional's right to offer to cure construction defects before a homeowner may commence litigation 20 against the construction professional. 21 Such notice conspicuous and may be included as part of the underlying contract 22 23 signed by the homeowner. In the sale of a condominium unit, the 24 requirement for delivery of such notice shall be deemed satisfied if contained in a public offering statement delivered in accordance with 25 chapter 64.34 RCW. 26
- 27 (2) The notice required by this subsection shall be in 28 substantially the following form:
- CHAPTER 64.-- RCW (sections 1 through 7 of this act) CONTAINS 29 IMPORTANT REQUIREMENTS YOU MUST FOLLOW BEFORE YOU MAY FILE A 30 31 LAWSUIT FOR DEFECTIVE CONSTRUCTION AGAINST THE SELLER OR BUILDER OF YOUR HOME. FORTY-FIVE DAYS BEFORE YOU FILE YOUR 32 33 LAWSUIT, YOU MUST DELIVER TO THE SELLER OR BUILDER A WRITTEN NOTICE OF ANY CONSTRUCTION CONDITIONS YOU ALLEGE ARE DEFECTIVE 34 AND PROVIDE YOUR SELLER OR BUILDER THE OPPORTUNITY TO MAKE AN 35 36 OFFER TO REPAIR OR PAY FOR THE DEFECTS. YOU ARE NOT OBLIGATED 37 TO ACCEPT ANY OFFER MADE BY THE BUILDER OR SELLER. THERE ARE

- 1 STRICT DEADLINES AND PROCEDURES UNDER STATE LAW, AND FAILURE TO
- 2 FOLLOW THEM MAY AFFECT YOUR ABILITY TO FILE A LAWSUIT.
- 3 (3) This chapter shall not preclude or bar any action if notice is
- 4 not given to the homeowner as required by this section.
- 5 <u>NEW SECTION.</u> **Sec. 7.** Nothing in this chapter shall be construed
- 6 to hinder or otherwise affect the employment, agency, or contractual
- 7 relationship between and among homeowners and construction
- 8 professionals during the process of construction or remodeling and does
- 9 not preclude the termination of those relationships as allowed under
- 10 current law. Nothing in this chapter shall negate or otherwise
- 11 restrict a construction professional's right to access or inspection
- 12 provided by law, covenant, easement, or contract.
- 13 <u>NEW SECTION.</u> **Sec. 8.** A new section is added to chapter 4.16 RCW
- 14 to read as follows:
- 15 If a written notice of claim is served under section 3 of this act
- 16 within the time prescribed for the filing of an action under this
- 17 chapter, all statutes of limitation and statutes of repose for
- 18 construction-related claims are tolled until sixty days after the
- 19 period of time during which the filing of an action is barred under
- 20 section 3 of this act.
- 21 **Sec. 9.** RCW 64.34.410 and 1997 c 400 s 1 are each amended to read
- 22 as follows:
- 23 (1) A public offering statement shall contain the following
- 24 information:
- 25 (a) The name and address of the condominium;
- 26 (b) The name and address of the declarant;
- (c) The name and address of the management company, if any;
- 28 (d) The relationship of the management company to the declarant, if
- 29 any;
- 30 (e) A list of up to the five most recent condominium projects
- 31 completed by the declarant or an affiliate of the declarant within the
- 32 past five years, including the names of the condominiums, their
- 33 addresses, and the number of existing units in each. For the purpose
- 34 of this section, a condominium is "completed" when any one unit therein
- 35 has been rented or sold;
- 36 (f) The nature of the interest being offered for sale;

- 1 (g) A brief description of the permitted uses and use restrictions 2 pertaining to the units and the common elements;
- 3 (h) A brief description of the restrictions, if any, on the renting 4 or leasing of units by the declarant or other unit owners, together 5 with the rights, if any, of the declarant to rent or lease at least a 6 majority of units;
- 7 (i) The number of existing units in the condominium and the maximum 8 number of units that may be added to the condominium;
- 9 (j) A list of the principal common amenities in the condominium 10 which materially affect the value of the condominium and those that 11 will or may be added to the condominium;
- 12 (k) A list of the limited common elements assigned to the units 13 being offered for sale;
- (1) The identification of any real property not in the condominium, the owner of which has access to any of the common elements, and a description of the terms of such access;
- 17 (m) The identification of any real property not in the condominium 18 to which unit owners have access and a description of the terms of such 19 access;
- 20 (n) The status of construction of the units and common elements, 21 including estimated dates of completion if not completed;
- 22 (o) The estimated current common expense liability for the units 23 being offered;
- (p) An estimate of any payment with respect to the common expense liability for the units being offered which will be due at closing;
- (q) The estimated current amount and purpose of any fees not included in the common expenses and charged by the declarant or the association for the use of any of the common elements;
- (r) Any assessments which have been agreed to or are known to the declarant and which, if not paid, may constitute a lien against any units or common elements in favor of any governmental agency;
- 32 (s) The identification of any parts of the condominium, other than 33 the units, which any individual owner will have the responsibility for 34 maintaining;
- 35 (t) If the condominium involves a conversion condominium, the 36 information required by RCW 64.34.415;
- (u) Whether timesharing is restricted or prohibited, and if restricted, a general description of such restrictions;

1 (v) A list of all development rights reserved to the declarant and 2 all special declarant rights reserved to the declarant, together with 3 the dates such rights must terminate, and a copy of or reference by 4 recording number to any recorded transfer of a special declarant right;

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- (w) A description of any material differences in terms of furnishings, fixtures, finishes, and equipment between any model unit available to the purchaser at the time the agreement for sale is executed and the unit being offered;
- 9 (x) Any liens on real property to be conveyed to the association 10 required to be disclosed pursuant to RCW 64.34.435(2)(b);
- 11 (y) A list of any physical hazards known to the declarant which 12 particularly affect the condominium or the immediate vicinity in which 13 the condominium is located and which are not readily ascertainable by 14 the purchaser;
- 15 (z) A brief description of any construction warranties to be 16 provided to the purchaser;
- 17 (aa) Any building code violation citations received by the 18 declarant in connection with the condominium which have not been 19 corrected;
 - (bb) A statement of any unsatisfied judgments or pending suits against the association, a statement of the status of any pending suits material to the condominium of which the declarant has actual knowledge, and a statement of any litigation brought by an owners' association, unit owner, or governmental entity in which the declarant or any affiliate of the declarant has been a defendant, arising out of the construction, sale, or administration of any condominium within the previous five years, together with the results thereof, if known;
- 28 (cc) Any rights of first refusal to lease or purchase any unit or 29 any of the common elements;
- (dd) The extent to which the insurance provided by the association covers furnishings, fixtures, and equipment located in the unit;
- (ee) A notice which describes a purchaser's right to cancel the purchase agreement or extend the closing under RCW 64.34.420, including applicable time frames and procedures;
- (ff) Any reports or statements required by RCW 64.34.415 or 64.34.440(6)(a). RCW 64.34.415 shall apply to the public offering statement of a condominium in connection with which a final certificate of occupancy was issued more than sixty calendar months prior to the preparation of the public offering statement whether or not the

- 1 condominium is a conversion condominium as defined in RCW 2 64.34.020(10);
- 3 (gg) A list of the documents which the prospective purchaser is 4 entitled to receive from the declarant before the rescission period 5 commences;
- 6 (hh) A notice which states: A purchaser may not rely on any
 7 representation or express warranty unless it is contained in the public
 8 offering statement or made in writing signed by the declarant or by any
 9 person identified in the public offering statement as the declarant's
 10 agent;
- (ii) A notice which states: This public offering statement is only a summary of some of the significant aspects of purchasing a unit in this condominium and the condominium documents are complex, contain other important information, and create binding legal obligations. You should consider seeking the assistance of legal counsel;
- (jj) Any other information and cross-references which the declarant believes will be helpful in describing the condominium to the recipients of the public offering statement, all of which may be included or not included at the option of the declarant; ((and))
- (kk) A notice that addresses compliance or noncompliance with the housing for older persons act of 1995, P.L. 104-76, as enacted on December 28, 1995; and
- 23 (11) A notice that is substantially in the form required by section 24 6 of this act.
- 25 (2) The public offering statement shall include copies of each of 26 the following documents: The declaration, the survey map and plans, 27 the articles of incorporation of the association, bylaws of the 28 association, rules and regulations, if any, current or proposed budget 29 for the association, and the balance sheet of the association current 30 within ninety days if assessments have been collected for ninety days 31 or more.
- If any of the foregoing documents listed in this subsection are not available because they have not been executed, adopted, or recorded, drafts of such documents shall be provided with the public offering statement, and, before closing the sale of a unit, the purchaser shall be given copies of any material changes between the draft of the proposed documents and the final documents.
- 38 (3) The disclosures required by subsection (1)(g), (k), (s), (u), 39 (v), and (cc) of this section shall also contain a reference to

- 1 specific sections in the condominium documents which further explain 2 the information disclosed.
- 3 (4) The disclosures required by subsection (1)(ee), (hh), ((and))
- 4 (ii), and (ll) of this section shall be located at the top of the first
- 5 page of the public offering statement and be typed or printed in ten-
- 6 point bold face type size.
- 7 (5) A declarant shall promptly amend the public offering statement
- 8 to reflect any material change in the information required by this
- 9 section.
- 10 **Sec. 10.** RCW 64.34.452 and 1990 c 166 s 14 are each amended to 11 read as follows:
- 12 (1) A judicial proceeding for breach of any obligations arising
- 13 under RCW 64.34.443 and 64.34.445 must be commenced within four years
- 14 after the cause of action accrues: PROVIDED, That the period for
- 15 commencing an action for a breach accruing pursuant to subsection
- 16 (2)(b) of this section shall not expire prior to one year after
- 17 termination of the period of declarant control, if any, under RCW
- 18 64.34.308(4). Such period may not be reduced by either oral or written
- 19 agreement.
- 20 (2) Subject to subsection (3) of this section, a cause of action or
- 21 breach of warranty of quality, regardless of the purchaser's lack of
- 22 knowledge of the breach, accrues:
- 23 (a) As to a unit, the date the purchaser to whom the warranty is
- 24 first made enters into possession if a possessory interest was conveyed
- 25 or the date of acceptance of the instrument of conveyance if a
- 26 nonpossessory interest was conveyed; and
- 27 (b) As to each common element, at the latest of (i) the date the
- 28 first unit in the condominium was conveyed to a bona fide purchaser,
- 29 (ii) the date the common element was completed, or (iii) the date the
- 30 common element was added to the condominium.
- 31 (3) If a warranty of quality explicitly extends to future
- 32 performance or duration of any improvement or component of the
- 33 condominium, the cause of action accrues at the time the breach is
- 34 discovered or at the end of the period for which the warranty
- 35 explicitly extends, whichever is earlier.
- 36 (4) If a written notice of claim is served under section 3 of this
- 37 act within the time prescribed for the filing of an action under this
- 38 chapter, the statutes of limitation in this chapter and any applicable

- 1 statutes of repose for construction-related claims are tolled until
- 2 sixty days after the period of time during which the filing of an
- 3 <u>action is barred under section 3 of this act.</u>
- 4 <u>NEW SECTION.</u> **Sec. 11.** Sections 1 through 7 of this act constitute
- 5 a new chapter in Title 64 RCW."
- 6 Correct the title.

<u>EFFECT:</u> The amendment makes several changes to the bill, including the following:

Requires a construction professional to provide a homeowner with a notice at the time of entering a contract for construction, purchase, or remodeling. The notice must inform the homeowner of the right of the construction professional to a notice of claim and an opportunity to cure before a lawsuit can be brought for a construction defect. The notice to the homeowner must be conspicuous and may be included as part of the contract with the homeowner. In the case of a condominium unit sale, the notice may be part of the public offering statement.

Replaces the undefined phrase "remodel of more than half of a residence" with the phrase "substantial remodel" which is defined as a remodel costing more than half of the assessed value of the residence.

Clarifies various timelines for notices, responses, inspections, and repairs.

Expressly provides that if a construction professional disputes a claim or does not respond to a claim, the homeowner may bring a lawsuit without further notice.

Removes claims by one construction professional against another from the notice of claim requirement before a lawsuit may be brought, but not from the list of defects requirement that applies at the time a lawsuit is brought.

Specifies that if a homeowner brings a lawsuit without the required prior notice of claim, the suit is to be dismissed without prejudice and may be recommenced once the notice requirement has been met.

Provides for amendments to a notice claim in order to include defects not reasonably discoverable at the time of the original notice.

Provides for the tolling of not only applicable statutes of limitations, but also statutes of repose, until 60 days after the period during which a lawsuit is barred by the act.

--- END ---