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Liability law may stimulate more condo development

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Condominium developers got some relief yesterday when Gov. Gary Locke signed a law that defines builders' liability on new condo projects.

The law, which affects condominiums built after July 1, defines a condo's implied warranty and sets up a warranty insurance program. Condo owners must show that construction problems are significant and caused by defective materials, engineering or construction or by builders not following codes.

"It doesn't go as far as we thought it should, but it's a start," said Sam Anderson, executive officer for the Master Builders Association of King and Snohomish Counties, who has been working for three years on resolving condo construction claims.

Despite record low interest rates and a booming housing market, builders have turned away from condos. The region's condo owners began experiencing water damage to their units about six years ago and, with their homeowners associations and aggressive lawyers, have sued developers over construction problems.

As the number of lawsuits and damages has increased, builders have found it more difficult to get financing and insurance.

Some builders say defective materials and newer building codes are at fault. Some people say bad construction played a role.

Condo law

For detailed information about the new law, look up SB 5536 on the state Legislature's Web site, www.leg.wa.gov.

The new state law calls for creation of a warranty insurance program that would make claims for condo problems similar to those for auto accidents. Builders could buy construction coverage from an insurer that would pay to fix the problems.

The challenge now is to get insurance companies to issue policies on new condo projects. Washington builders could buy policies from 25 companies in 1997; now they have only one option.

"I don't think the carriers will come back real soon," Anderson said. "There's no product on the market that says what the law does. The question now is how do we find that product and market it to insurance companies."

Under the new law, the governor and Legislature will appoint a seven-member committee to decide whether arbitration and third-party inspectors can be used as an alternative to court action. Its report is due by Dec. 31.

Some builders said they would consider re-entering the market.

"It was very frustrating not to be in the condo market for the last two years with interest rates being as low as they were," said Michael Christ, president of Renton-based Seco Development.

"We continuously have people asking us if we're going to convert our apartments into condos. I'd be thrilled to do condominiums again."

Housing proponents applauded the law.

"If condos aren't seen as an option by the development community, that means we have to push out urban-growth boundaries, and that's not something we want to do," said Diana Dollar, vice president of community development for the Economic Development Council of Snohomish County. "This is a win-win."

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