

RESIDENTIAL LEASE RULES  
OF  
NEXUS CONDOMINIUM OWNERS ASSOCIATION

**1. INTRODUCTION**

- 1.1 The Nexus Condominium Owners Association has adopted these Residential Lease Rules (“**Lease Rules**”), pursuant to the authority granted under the Declaration and the Washington Nonprofit Miscellaneous and Mutual Corporation Act. These Lease Rules supplement the Declaration and the Articles of Incorporation and Bylaws of the Association. These Lease Rules are part of the Rules of the Association. In the event of a conflict between these Lease Rules on the one hand, and the Declaration, Articles or Bylaws, on the other hand, the Declaration, Articles or Bylaws shall control.
- 1.2 Capitalized terms used but not defined in these Lease Rules shall have the meaning given to them in the Declaration, Articles, or Bylaws, as the case may be.
- 1.3 Pursuant to Section 10.3.9 of the Declaration, the right of an Owner to rent a Residential Unit is subject to any Rules adopted by the Board to meet the underwriting requirements of institutional lenders and mortgage purchasers pursuant to RCW 64.90.510(9). Section 510(9) empowers an association to enact Rules that restrict the leasing of residential units to the extent those Rules are reasonably designed to meet underwriting requirements of institutional lenders that regularly make loans secured by first mortgages on units in comparable common interest communities or that regularly purchase those mortgages.
- 1.4 Fannie Mae will only purchase Mortgages in new condominium projects if at least 50% of the units have been conveyed to, or are under contract to, principal residence or second home purchasers. Fannie Mae will only purchase Mortgages for investment properties in established projects if at least 50% of the units in the project are owned by principal residence or second home purchasers.
- 1.5 The Board has investigated the current lending market before enacting this Rule. It has determined that if the Condominium does not meet Fannie Mae’s standards, then the Condominium is considered “non-warrantable” by lenders. Most lenders will not make mortgage loans on Units in a non-warrantable project. There are currently very few lenders who will make loans on a non-warrantable project. Loans from such lenders have interest rates approximately 2.5% per year higher than loans in warrantable projects. The lack of financing will preclude many potential buyers from purchasing Units, and the higher interest rates will reduce the amount buyers can borrow, thereby reducing the value of Units in the Condominium.
- 1.6 The Board has determined that, in order to keep the number of investor purchasers below the 50% Fannie Mae threshold, the Declarant required the initial purchasers of Units in the Condominium to represent whether they were (i) principal residence or second home purchasers, or (ii) investor purchasers. It has come to the attention of the Board that certain owners who were principal residence or second home purchasers have leased their Units and many other such Owners have listed their Units for Lease, exposing all of the Owners in the Condominium to the risk of being unable to re-finance or sell their Units and the risk of having their Units decline in value.
- 1.7 The Board has determined that the interests of individual Owners in leasing their Units can conflict with the interest of all Owners in maintaining the saleability and value of their Units. This is an example of a “tragedy of the commons”. These Lease Rules are necessary and are reasonably designed to meet Fannie Mae’s requirements for the purchase of mortgages, and to

protect the ability of all Owners in the Condominium to obtain conforming Mortgages secured by their Units.

- 1.8 On May 4, 2020, the Board approved a draft of these Lease Rules. On May 5, 2020, the Board notified the Owners that it intended to adopt these Lease Rules, that it would accept comments on the draft Lease Rules until May 15th, and that it intended to adopt final Lease Rules on or about June 1, 2020.
- 1.9 The Board received comments from 61 of the approximately 240 Owners who had closed on their Units. Some commented that they supported the rule. Some commented that the rules should not apply to them. Many commented that they had represented themselves as investor buyers and they felt it was unfair for non-investors to jeopardize the investments of all the owners. Many commented that they were primary residence or second home buyers, there was no rental cap when they closed, they did not expect a rental cap to be enacted and they should be able rent their Unit.
- 1.10 In response to the comments received, the Board made three changes to the proposed rules. First, it amended section 4.1 of the draft rules to shorten the end of the minimum occupancy period from May 31, 2021 to approximately December 31, 2020. This shortens the priority rental period for Owners who were investor buyers, and allows Owners who were not investor buyers the opportunity to rent their units sooner. Second, it eliminated voluntary relocation as a hardship and clarified that involuntary relocation is hardship only when it is temporary. This is intended to ensure that hardship is out of an Owner's control. Third, it added section 2.2 to the rules to provide that the rules expire on December 31, 2020 unless extended by the Board. This is intended to provide for a re-examination of the rules by the end of the year.
- 1.11 On May 20, 2020, the Board adopted these Lease Rules.

## **2. EFFECTIVE DATE; TERMINATION DATE**

- 2.1 These Lease Rules are effective as of 12:01 a.m. on June 1, 2020 ("**Effective Date**").
- 2.2 These Lease Rules will terminate and be of no further force and effect as of 11:59 p.m. on December 31, 2020, unless extended by rule-making action of the Board.

## **3. DEFINITIONS**

- 3.1 For the purposes of these Lease Rules and any amendments hereto, the following definitions shall apply. The singular form of words includes the plural and the plural includes the singular. Masculine, feminine, and neutral pronouns are used interchangeably.
- 3.2 "**Family Members**" means a person who has been certified in a Record submitted to the Board to be the Owner's spouse, parent, parent-in-law, sibling, sibling-in-law, child or stepchild of the Owner.
- 3.3 "**Hardship**" means:
  - (i) Mandatory Job Relocation. The Owner's current full-time job in the Seattle metropolitan area has been temporarily relocated out of state for at least six months, and Owner's Family Members living in the Unit will relocate. The Owner must provide proof of the job relocation from the current employer, including the start and end date of the new job and the address for the new workplace.

- (ii) **Deployment.** The Owner has been ordered by the state or federal government to deploy out of state and Owner's Family Members living in the Unit will relocate. The Owner must provide proof of deployment.
  - (iii) **Health.** A serious medical condition or event renders continued living in the Unit impossible or unsafe. The Owner must provide proof of the condition or event and certification from a physician that a move is medically required.
  - (iv) **Inability to Sell.** The Owner has continually and in good faith listed the Unit for sale for six months and has been unable to sell the Unit. The Owner must provide proof of continuous listing at reasonable market prices (based on comparable sales) and history of offers.
- 3.4 **"Prior Lease Owners"** means Owners who have Leased their Units prior to the Effective Date. A list of Units owned by Prior Lease Owners is attached as Exhibit A.
- 3.5 **"Investor Owners"** means Owners and buyers currently under contract who represented in their unit purchase agreement with the Declarant that they intended to purchase the Unit as an investment property. A list of Units owned by or under contract with Investor Buyers is attached as Exhibit B. Some Units are listed on both Exhibit A and Exhibit B.
- 3.6 **"Lease"** means: (i) when used as a noun, a rental agreement or other writing executed by the Owner and Residential Tenant that memorializes the lease or rental of a Residential Unit, and (ii) when used as a verb, the granting of a right to occupy a Residential Unit, whether or not rent is charged or collected. For the avoidance of doubt, the following do not constitute a Lease: (x) co-occupancy of the Residential Unit by the Owner and a roommate, care-giver or Family Member, (y) short-term co-occupancy of the Residential Unit by the Owner and personal guests, or (z) occupancy of a Residential Unit solely by the Family Members of an Owner.
- 3.7 **"Lease Ceiling"** means forty-nine percent of the Residential Units. Presently, there are 389 Residential Units. Therefore, the Lease Ceiling is 190 Residential Units. (389 x 49% = 190.6).
- 3.8 **"Lease Waiting List"** means a Record kept by the Board of those Residential Unit Owners who have applied to Lease their Unit.
- 3.9 **"Primary Residence Owners"** means Owners and buyers presently under contract who represented in their unit purchase agreement with the Declarant that they intended to purchase the Unit as a primary residence or second home. A list of Units owned by Occupant Buyers as of the Effective Date is attached as Exhibit B.
- 3.10 **"Residential Tenant"** means Tenant, as defined in the Declaration, but does not include Family Members.
- 3.11 **"Residential Unit"** has the meaning given in the Declaration.
- 3.12 **"Tenant"** shall have the meaning given in the Declaration, which is: an occupant of a Unit other than the Unit Owner, or the Owner's personal guests, family members, care givers or roommates. The term includes renters, lessees, tenants, and subtenants.

#### 4. **MINIMUM OCCUPANCY REQUIREMENT**

- 4.1 **Minimum Occupancy Requirement.** No current or future Owner, other than an Investor Owner or a Prior Lease Owner, may Lease their Residential Unit between the Effective Date and the earlier of (i) December 31, 2020, or (ii) the date on which all Investor Owners have Leased their Units. An Owner who is not an Investor Owner or a Prior Lease Owner may apply to Lease their Residential Unit but is not eligible for approval until the expiration of the foregoing period. If such

an Owner applies, they will be placed on the Lease Waiting List. If such an Owner rises to the top of the Lease Waiting List prior to the expiration of such period, they will automatically be moved to the bottom of the list. This minimum occupancy requirement shall not apply to (i) the Lease of a Residential Unit by an Investor Owner or Prior Lease Owner, (ii) the Lease of a Guest Suite owned by the Association, (iii) the Lease of a Unit by the Association following foreclosure of the Association's lien for Assessments or the appointment of a receiver in connection with a lien foreclosure action by the Association, or (iv) the Lease of a Unit by a Mortgagee following foreclosure of its Mortgage or the appointment of a receiver in connection with a foreclosure action by the Mortgagee.

## **5. RENTAL OF UNITS**

- 5.1 Application to Lease. An Owner who desires to Lease a Residential Unit must first submit an application to Lease the Unit to the Managing Agent in a Record. The application shall contain such documentation as the Board may reasonably require. The Board shall process applications in the order received and with reasonable promptness. Upon submission of a complete application, the Board shall place the Owner on the Lease Waiting List.
- 5.2 Lease Waiting List. The Board shall maintain a Lease Waiting List that lists all Residential Unit Owners who have submitted a complete application to Lease their Unit. The Owners shall be listed in order of the date of application. The Board shall review applications in order until the Lease Ceiling is reached. When an application is at the top of the Lease Waiting List, the Board shall grant the application if (i) the Owner has complied with all requirements of the Governing Documents relating to Leasing, including the minimum occupancy requirement and other provisions of these Lease Rules, (ii) the Owner is current on all Association Assessments, and is not in default under the Governing Documents, and (iii) the proposed Lease would not cause the aggregate number of Leased Units to exceed the Lease Ceiling.
- 5.3 Approval of Request. At such times that the number of Leased Units is below the Lease Ceiling, the Board shall notify the first otherwise qualified Owner on the Lease Waiting List that they are first on the list, that the Owner's application to Lease has been approved, and that the Owner has the opportunity to Lease their Unit pursuant to these Lease Rules. The Owner will have ten days after receipt of the notice to notify the Board in a Record whether it will exercise its opportunity to Lease the Unit.
- 5.4 Decision Not to Lease. If the Owner notifies the Board that it will not Lease, or if the Owner fails to provide notice within such time period, the Board shall automatically move the Owner to the bottom of the Lease Waiting List and notify the next otherwise qualified Owner on the Lease Waiting List of the opportunity to Lease.
- 5.5 Decision to Lease. If the Owner timely exercises the opportunity to Lease, it shall have a period of one hundred twenty-five days to market the Unit and enter into a Lease. If the Unit Owner fails to Lease the Unit within such period, its opportunity to Lease shall expire and the Board shall move the Owner to the bottom of the Lease Waiting List and notify the next otherwise qualified Owner on the Lease Waiting List of the opportunity to Lease. Subject to Section 5.6, an Owner who has Leased its Unit may continue to Lease the Unit until the date that the Lease, and any renewal or replacement Lease entered into within one hundred twenty five days of termination of the prior Lease, terminates. If the Owner does not renew or extend the existing Lease or enter into a new Lease with a new Tenant within such one hundred twenty five days, the Owner shall lose the opportunity to Lease and shall be moved to the bottom of the Lease Waiting List.
- 5.6 Conveyance of Unit. Neither the status of a Leased Unit nor its place on the Lease Waiting List is transferrable. If a Unit on the Lease Waiting List is conveyed, it automatically moves to the bottom of the Lease Waiting List on the date of Conveyance. If a Leased Unit is Conveyed, it shall also automatically lose its approval for Lease as of the date of Conveyance. A Lease in effect on the

date of Conveyance may continue only for ninety days after the date of Conveyance, at which time, it shall terminate.

- 5.7 Assignment or Sublease by Tenant. If the Tenant of a Leased Unit assigns its leasehold or subleases the Unit, the Unit shall automatically lose its approval for Lease as of the date of assignment or sublease. An assignment or sublease shall automatically terminate the Lease.

## **6. APPLICATION OF LEASE CEILING**

- 6.1 Exempt Leases. The Board shall not apply the Lease Ceiling to (i) the Lease of Residential Units owned by the Association, (ii) the lease of a Guest Suite by the Association, (iii) the Lease of a Unit by the Association following foreclosure of the Association's lien for Assessments or the appointment of a receiver in connection with a lien foreclosure action by the Association, or (iv) the Lease of a Unit by a Mortgagee following foreclosure of its Mortgage or the appointment of a receiver in connection with a foreclosure action by the Mortgagee.

- 6.2 Hardship Exceptions. Upon written application from an Owner, the Board may allow an otherwise qualified Owner to rent its Residential Unit, even though the rental would violate the Lease Ceiling, if the Board determines that a Hardship exists due to circumstances beyond the control of the Owner, that the request is made in good faith, that the occupancy of the Unit by the Owner or its Family Members is impractical or impossible, that the Hardship will cause serious harm to the Owner, and that granting an exception from the Lease Ceiling would not detrimentally affect the making, purchase, insurance or guaranty of Mortgages on Units by Mortgagees, including Fannie Mae, Freddie Mac, FHA or the VA.

- 6.3 Application for Hardship Exceptions. Requests for a Hardship exception must be submitted to the Managing Agent in a Record for consideration by the Board. The Board may request such information as it deems necessary to consider the request.

- 6.4 Term of Hardship Exception. Except as otherwise set forth in these Lease Rules, the length of a Hardship exception shall not exceed twelve months. Upon written application from the Owner made at least ninety days before expiration of the Hardship exception, and upon the Board's determination that the Hardship exception should be extended, the Board may grant a renewal of up to twelve additional months. Notwithstanding the foregoing, the Board may grant a Hardship exception for the entire expected duration of an Owner's active duty military service or forced job relocation, even if such service or relocation period exceeds twelve months.

- 6.5 Additional Conditions. The Board may impose additional terms and conditions when granting a Hardship exception as it deems appropriate to protect the Association's interests. An Owner who receives a Hardship exception must execute and deliver to the Board such acknowledgments and agreements as the Board may require.

## **7. VIOLATIONS**

- 7.1 Schedule of Fines. The Board may take such action as it deems appropriate to enforce these Lease Rules. Without limiting the foregoing, the Board may impose fines against an Owner who Leases a Unit in violation of these Lease Rules. The fines shall be \$100 per day for the first thirty days, \$200 per day for the next thirty days, and \$300 per day for each day thereafter. Where appropriate, parties subject to enforcement action shall be given Notice and Opportunity to be Heard.

- 7.2 No Waiver. The failure of the Board to learn or, or take action concerning, an unpermitted rental shall not give rise to any defense of waiver, laches, agreement, or abandonment.

ATTEST: I certify that these Lease Rules were duly adopted by the Board of Directors of the Nexus Condominium Association on May 20, 2020, after notice and comment from the Owners.

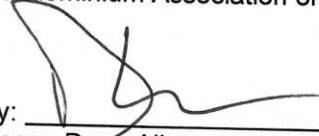
By:   
Name: Doug Allan  
Title: President

EXHIBIT A  
TO  
RESIDENTIAL LEASE RULES

PRIOR LEASE OWNER UNITS  
(Bold Type: Also Listed on Exhibit B)

401  
402  
502  
601  
**802**  
**803**  
**903**  
**904**  
**1002**  
1008  
1010  
**1102**  
**1103**  
**1105**  
1110  
1112  
**1202**  
**1204**  
**1307**  
**1403**  
**1405**  
**1503**  
1611  
**1710**  
**1902**  
2002  
2007  
2009  
2103  
**2107**  
2304  
2306  
2313  
2403  
2701  
**3107**  
3209  
**3307**

EXHIBIT B  
TO  
RESIDENTIAL LEASE RULES

INVESTOR OWNER UNITS

Current Owners

(Bold Type: Also Listed on Exhibit A)

700	<b>1405</b>	2406
801	1406	2407
<b>802</b>	1407	2505
<b>803</b>	1409	2508
804	1410	2601
805	1502	2602
807	<b>1503</b>	2608
810	1506	2609
813	1507	2610
900	1509	2704
902	1510	2806
<b>903</b>	1511	2807
<b>904</b>	1512	2902
907	1604	3008
908	1606	3010
909	1609	<b>3107</b>
911	1610	3113
913	1704	<b>3307</b>
1001	1707	3402
<b>1002</b>	1709	3506
1004	<b>1710</b>	
1007	1711	
1013	1713	
1100	1800	
<b>1102</b>	1802	
<b>1103</b>	<b>1902</b>	
<b>1105</b>	1913	
1109	2003	
1111	<b>2013</b>	
<b>1202</b>	2102	
1203	2105	
<b>1204</b>	2106	
1206	<b>2107</b>	
1210	2109	
1212	2110	
1213	2111	
1301	2200	
1302	2204	
1303	2209	
1306	2211	
<b>1307</b>	2213	
1309	2302	
1310	2307	
1402	2400	
<b>1403</b>	2404	
1404	2405	



EXHIBIT B  
TO  
RESIDENTIAL LEASE RULES

INVESTOR OWNER UNITS

Owners Under Contract to Close

702  
1504  
1612  
1801  
2100  
2201  
2203  
2507  
2606  
2907  
3000  
3007  
3013  
3106  
3108  
3201  
3206  
3213  
3310  
3500  
3508  
3706  
3707