



Email from Carl Bradford of the District of Columbia Department of Consumer and Regulatory Affairs concerning proposed Condominium Warranty Regulations and Bonds

From: [Bradford, Carl \(DCRA\)](#)
Sent: Monday, March 13, 2006 4:53 PM
Subject: warranty

This is pretty much how we operate.

Condominium Warranty Regulations

1. The Security for the Warranty (the "Security") must be drawn from a bank that is licensed to do business in the District of Columbia. (This means that the Security may come from any state in which the bank is located as long as that bank has the authority to do business in D. C.)
2. Section 42-1903.16(b) reads as follows:

"A declarant shall warrant against structural defects in each of the units for 2 years from the date each unit is first conveyed to a bona fide purchaser, and all of the common elements for 2 years..."
3. Within 180 days of approval of the Rules, DCRA will establish an account with a local security organization to house and monitor all Letters of Credit as well as any other form of Security.
4. Within 180 days of approval of the Rules, DCRA will create a system, which tracks and controls the Letters of Credit. At a minimum, this system will maintain the following:
 - Name and address of the condominium
 - Name, address and telephone number of the developer/owner
 - Name of the Unit Owners' Association with phone number of the President
 - Date of Delivery of the Security

- Notification date for extension of the Security
 - Date of Expiration of the Security
 - Amount of the Security/Verification of sufficiency
 - Date transferred to and accepted by security organization housing and maintaining the Security
5. **Structural Defect** – A defect in a component that constitutes any unit or portion of the common elements that reduces the stability or safety of the structure below standards commonly accepted in the real estate market, or restricts the normally intended use of all or part of the structure and which requires repair, renovation restoration or replacement.
- 1) For the purposes of this definition, the term “stability and safety” refers to the structural integrity of the structure.
 - 2) For the purposes of this definition, the term “restricts the normally intended use” refers to the habitable use of a structure or building with regard to unsafe, unlawful or unsanitary conditions; or lack of ventilation, illumination, sanitary or heating facilities, or other required equipment that constitutes a hazard to its occupants or to the public.

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- 3) For the purposes of this definition, the term “defect” refers to a condition or deficiency that causes, results from, or deteriorates all or any portion of a structure.

6. **Security for the Warranty Draw Down Process**

- 1) Either a unit owner or a unit owners association contacts this Office by telephone or letter indicating that there are structural defects at the condominium and questioning the process to draw funds from the Security.
- 2) The Housing Regulation Specialist informs the contact person that we need to have a report from a licensed person or company capable of inspecting the problem(s). That report must provide information regarding the structural problems, the procedure required to make the repair(s) and an estimate of the cost for such repairs.

- 3) Once the report is provided, this Office writes the developer or the developers' attorney providing a copy of the report and allowing them 20 days from the date of the letter to respond.
- 4) Should the developer agree to repair the items in the report, the process will end at this point. The unit owners must agree that the work is complete for release of the Security to the developer.
- 5) If there is a dispute regarding the response from the developer, this Office provides both reports to the Building Land Regulation Administration and requests a review of the report and, if necessary, inspections of the property for a determination of whether the items reported are structural defects.
- 6) If there is no dispute or response from the developer, and a determination is made by the Building and Land Regulation Administration that the items are structural defects, we draw down the funds.
- 7) If:
 - a) The items are determined not to be structural in nature by the Building and Land Regulation Administration, the funds can not be drawn and the unit owners association and the developer are notified.
 - b) The items are determined to be structural in nature, an appropriate amount of the funds are drawn down to pay for the repair(s).

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- 8) After requesting, receiving and reviewing three (3) estimates from District of Columbia licensed contractors, we will determine who will perform the work.
- 9) Payment will be made to that contractor upon completion of the work.

NOTE: The parties may proceed in Superior Court to seek relief. If a complaint is filed, DCRA stays the process until a decision is rendered by the Court.

7. To ensure that all District of Columbia Agencies/Offices involved in any part of the conversion are aware of the status of the conversion, a copy of the Letter of Registration, and well as information regarding the cost of construction, the number units, the number of parking spaces or units will be forwarded to:

- Office of Tax and Revenue
- Building and Land Regulation Administration (Office of the Surveyor, Zoning Division and the Permit and Intake Branch)(**??Certificate of Occupancy Office??**)
- Recorder of Deeds