

license shall not be issued by the board where doing so would, in the judgment of the board, adversely affect a private school meeting the requirements for private schools under Title 28A RCW, which school is within five hundred feet of the proposed licensee. The board shall fully consider and give substantial weight to objections filed by private schools. If a license is issued despite the proximity of a private school, the board shall state in a letter addressed to the private school the board's reasons for issuing the license.

(10) The restrictions set forth in the preceding subsection shall not prohibit the board from authorizing the transfer of existing licenses now located within the restricted area to other persons or locations within the restricted area: PROVIDED, Such transfer shall in no case result in establishing the licensed premises closer to a church or school than it was before the transfer.

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Passed the House April 21, 1983.

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CHAPTER 161

[Engrossed Second Substitute Senate Bill No. 3245]

HOUSING FINANCE COMMISSION—HOUSING FINANCE PLAN—
RESIDENTIAL PURCHASE AND CONSTRUCTION ASSISTANCE—BONDS—
AUDIT

AN ACT Relating to housing financing; amending section 9, chapter 10, Laws of 1982 and RCW 42.17.240; amending section 4, chapter 95, Laws of 1895 as last amended by section 1, chapter 167, Laws of 1979 ex. sess. and RCW 4.92.040; adding a new chapter to Title 43 RCW; adding a new section to chapter 82.04 RCW; adding a new section to chapter 84.36 RCW; adding a new section to chapter 43.21C RCW; providing an effective date; and declaring an emergency.

Be it enacted by the Legislature of the State of Washington:

NEW SECTION. Sec. 1. **DECLARATION OF PUBLIC POLICIES—PURPOSE.** It is declared to be the public policy of the state and a recognized governmental function to assist in making affordable and decent housing available throughout the state and by so doing to contribute to the general welfare. Decent housing for the people of our state is a most important public concern. Interest rates and construction costs have made it impossible for many Washington citizens to purchase their own homes. Older people, disabled persons, and low and moderate income families often cannot afford to rent decent housing. There exists throughout the state a serious shortage of safe, sanitary and energy efficient housing available at prices within the financial means of our citizens. General economic development within the state is also impeded by a lack of affordable housing. The state's economy, which is dependent on the timber, wood products, and construction industries, has been damaged by inadequate investment in

housing construction and rehabilitation. The result has been high unemployment and economic hardship affecting the prosperity of all the people of the state, particularly those in the wood products industry.

It is the purpose of this chapter to establish a state housing finance commission to act as a financial conduit which, without using public funds or lending the credit of the state or local government, can issue nonrecourse revenue bonds and participate in federal, state, and local housing programs and thereby make additional funds available at affordable rates to help provide housing throughout the state. It is also a primary purpose of this chapter to encourage the use of Washington state forest products in residential construction. This chapter is enacted to accomplish these and related purposes and shall be liberally construed to carry out its purposes and objectives.

NEW SECTION. Sec. 2. DEFINITIONS. Unless the context clearly requires otherwise, the definitions in this section apply throughout this chapter.

(1) "Bonds" means the bonds, notes, or other evidences of indebtedness of the commission, the interest paid on which may or may not qualify for tax exemption.

(2) "Code" means the federal internal revenue code of 1954, as now or hereafter amended, and the regulations and rulings promulgated thereunder.

(3) "Commission" means the Washington state housing finance commission or any board, body, commission, department, or officer succeeding to the principal functions thereof or to whom the powers conferred upon the commission shall be given by law.

(4) "Costs of housing" means all costs related to the development, design, acquisition, construction, reconstruction, leasing, rehabilitation, and other improvements of housing, as determined by the commission.

(5) "Eligible person" means a person or family eligible in accordance with standards promulgated by the commission. Such persons shall include those persons whose income is insufficient to obtain at a reasonable cost, without financial assistance, decent, safe, and sanitary housing in the area in which the person or family resides, and may include such other persons whom the commission determines to be eligible.

(6) "Housing" means specific new, existing, or improved residential dwellings within this state or dwellings to be constructed within this state. The term includes land, buildings, and manufactured dwellings, and improvements, furnishings, and equipment, and such other nonhousing facilities, furnishings, equipment, and costs as may be incidental or appurtenant thereto if in the judgment of the commission the facilities, furnishings, equipment and costs are an integral part of the project. Housing may consist of single-family or multifamily dwellings in one or more structures located on contiguous or noncontiguous parcels or any combination thereof.

Improvements may include such equipment and materials as are appropriate to accomplish energy efficiency within a dwelling. The term also includes a dwelling constructed by a person who occupies and owns the dwelling.

(7) "Mortgage" means a mortgage, mortgage deed, deed of trust, security agreement, or other instrument securing a mortgage loan and constituting a lien on or security interest in housing. The property may be held in fee simple or on a leasehold under a lease having a remaining term, at the time the mortgage is acquired, of not less than the term of repayment of the mortgage loan secured by the mortgage. The property may also be housing which is evidenced by an interest in a cooperative association or corporation if ownership of the interest entitles the owner of the interest to occupancy of a dwelling owned by the association or corporation.

(8) "Mortgage lender" means any of the following entities which customarily provide service or otherwise aid in the financing of housing and which are approved as a mortgage lender by the commission: A bank, trust company, savings bank, national banking association, savings and loan association, building and loan association, mortgage banker, mortgage company, credit union, life insurance company, or any other financial institution, governmental agency, municipal corporation, or any holding company for any of the entities specified in this subsection.

(9) "Mortgage loan" means an interest-bearing loan or a participation therein, made to a borrower, for the purpose of financing the costs of housing, evidenced by a promissory note, and which may or may not be secured (a) under a mortgage agreement, (b) under any other security agreement, regardless of whether the collateral is personal or real property, or (c) by insurance or a loan guarantee of a third party. However, an unsecured loan shall not be considered a mortgage loan under this definition unless the amount of the loan is under two thousand five hundred dollars.

NEW SECTION. Sec. 3. BONDS NOT DEBT OF STATE. Bonds issued under this chapter shall be issued in the name of the commission. The bonds shall not be obligations of the state of Washington and shall be obligations only of the commission payable from the special fund or funds created by the commission for their payment. Such funds shall not be or constitute public moneys or funds of the state of Washington but at all times shall be kept segregated and set apart from other funds.

Bonds issued under this chapter shall contain a recital on their face to the effect that payment of the principal of, interest on, and prepayment premium, if any, on the bonds, shall be a valid claim only as against the special fund or funds relating thereto, that neither the faith and credit nor the taxing power of the state or any municipal corporation, subdivision, or agency of the state, other than the commission as set forth in this chapter, is pledged to the payment of the principal of, interest on, and prepayment premium, if any, on the bonds.

Contracts entered into by the commission shall be entered into in the name of the commission and not in the name of the state of Washington. The obligations of the commission under the contracts shall be obligations only of the commission and are not in any way obligations of the state of Washington.

NEW SECTION. Sec. 4. COMMISSION CREATED. (1) There is hereby established a public body corporate and politic, with perpetual corporate succession, to be known as the Washington state housing finance commission. The commission is an instrumentality of the state exercising essential government functions and, for purposes of the code, acts as a constituted authority on behalf of the state when it issues bonds pursuant to this chapter. The commission is a "public body" within the meaning of RCW 39.53.010.

(2) The commission shall consist of the following voting members:

(a) The state treasurer, ex officio;

(b) The director of the planning and community affairs agency, ex officio;

(c) An elected local government official, ex officio, with experience in local housing programs, who shall be appointed by the governor with the consent of the senate;

(d) A representative of housing consumer interests, appointed by the governor with the consent of the senate;

(e) A representative of labor interests, appointed by the governor, with the consent of the senate, after consultation with representatives of organized labor;

(f) A representative of low-income persons, appointed by the governor with the consent of the senate;

(g) Five members of the public appointed by the governor, with the consent of the senate, on the basis of geographic distribution and their expertise in housing, real estate, finance, energy efficiency, or construction, one of whom shall be appointed by the governor as chair of the commission and who shall serve on the commission and as chair of the commission at the pleasure of the governor.

The term of the persons appointed by the governor, other than the chair, shall be four years from the date of their appointment, except that the terms of three of the initial appointees shall be for two years from the date of their appointment. The governor shall designate the appointees who will serve the two-year terms. An appointee may be removed by the governor for cause pursuant to RCW 43.06.070 and 43.06.080. The governor shall fill any vacancy in an appointed position by appointment for the remainder of the unexpired term. If the planning and community affairs agency is abolished, the resulting vacancy shall be filled by a state official who shall be appointed to the commission by the governor. If this official occupies an

office or position for which senate confirmation is not required, then his appointment to the commission shall be subject to the consent of the senate. The members of the commission shall serve without compensation, but may be reimbursed, solely from the funds of the commission, for expenses incurred in the discharge of their duties under this chapter, subject to the provisions of RCW 43.03.050 and 43.03.060. A majority of the commission constitutes a quorum. Designees shall be appointed in such manner and shall exercise such powers as are specified by the rules of the commission.

(3) The commission may adopt an official seal and may select from its membership a vice chair, a secretary, and a treasurer. The commission shall establish rules concerning its exercise of the powers authorized by this chapter. The rules shall be adopted in conformance with chapter 34.04 RCW.

NEW SECTION. Sec. 5. HOUSING FINANCING POWERS. (1) In addition to other powers and duties prescribed in this chapter, and in furtherance of the purposes of this chapter to provide decent, safe, sanitary, and affordable housing for eligible persons, the commission is empowered to:

(a) Issue bonds in accordance with this chapter: PROVIDED, HOWEVER, That this power to issue bonds shall cease to exist on June 30, 1986, unless extended by law for an additional fixed period of time;

(b) Invest in, purchase, or make commitments to purchase or take assignments from mortgage lenders of mortgages or mortgage loans;

(c) Make loans to or deposits with mortgage lenders for the purpose of making mortgage loans; and

(d) Participate fully in federal and other governmental programs and to take such actions as are necessary and consistent with this chapter to secure to itself and the people of the state the benefits of those programs and to meet their requirements, including such actions as the commission considers appropriate in order to have the interest payments on its bonds and other obligations treated as tax exempt under the code.

(2) The commission shall establish eligibility standards for eligible persons, considering at least the following factors:

(a) Income;

(b) Family size;

(c) Cost, condition and energy efficiency of available residential housing;

(d) Availability of decent, safe, and sanitary housing;

(e) Age or infirmity; and

(f) Applicable federal, state, and local requirements.

NEW SECTION. Sec. 6. NO POWER OF EMINENT DOMAIN OR TAXATION. The commission does not have the power of eminent domain and the commission does not have the power to levy any taxes of any kind.

NEW SECTION. Sec. 7. HOUSING FINANCE PLAN. The commission shall adopt a general plan of housing finance objectives to be implemented by the commission during the period of the plan. The commission shall adopt a plan no later than December 15, 1983. The commission may exercise the powers authorized under this chapter prior to the adoption of the initial plan. In developing the plan, the commission shall consider and set objectives for:

- (1) The use of funds for single-family and multifamily housing;
- (2) The use of funds for new construction, rehabilitation, including refinancing of existing debt, and home purchases;
- (3) The housing needs of low-income and moderate-income persons and families, and of elderly or mentally or physically handicapped persons;
- (4) The use of funds in coordination with federal, state, and local housing programs for low-income persons;
- (5) The use of funds in urban, rural, suburban, and special areas of the state;
- (6) The use of financing assistance to stabilize and upgrade declining urban neighborhoods;
- (7) The use of financing assistance for economically depressed areas, areas of minority concentration, reservations, and in mortgage-deficient areas;
- (8) The geographical distribution of bond proceeds so that the benefits of the housing programs provided under this chapter will be available to address demand on a fair basis throughout the state;
- (9) The use of financing assistance for implementation of cost-effective energy efficiency measures in dwellings.

The plan shall include an estimate of the amount of bonds the commission will issue during the term of the plan and how bond proceeds will be expended.

The plan shall be adopted by resolution of the commission following at least one public hearing thereon, notice of which shall be made by mailing to the clerk of the governing body of each county and by publication in the Washington State Register no more than forty and no less than twenty days prior to the hearing. A draft of the plan shall be made available not less than thirty days prior to any such public hearing. At least every two years, the commission shall report to the legislature regarding implementation of the plan.

Prior to December 31, 1983, the commission shall submit the plan to the chief clerk of the house and secretary of the senate for transmittal to and review by the appropriate standing committees. The commission may periodically update the plan. Proposed changes of the plan shall be submitted to the chief clerk of the house and secretary of the senate for transmittal to

and review by the appropriate standing committees. This submittal of proposed changes shall occur at least fourteen days before final adoption of the changes by the commission.

The commission shall adopt rules designed to result in the use of bond proceeds in a manner consistent with the plan. These rules shall be adopted and in full force and effect by February 1, 1984. The commission may periodically update its rules.

The commission is not required to adopt a plan or rules for the use of the proceeds of bonds issued prior to February, 1984. This section is designed to deal only with the use of bond proceeds and nothing in this section shall be construed as a limitation on the commission's authority to issue bonds.

NEW SECTION. Sec. 8. GENERAL POWERS. In addition to other powers and duties specified in this chapter, the commission may:

(1) Establish in resolutions relating to any issuance of bonds, or in any financing documents relating to such issuance, such standards and requirements applicable to the purchase of mortgages and mortgage loans or the making of loans to mortgage lenders as the commission deems necessary or desirable, including but not limited to: (a) The time within which mortgage lenders must make commitments and disbursements for mortgages or mortgage loans; (b) the location and other characteristics of single-family housing or multifamily housing to be financed by mortgages and mortgage loans; (c) the terms and conditions of mortgages and mortgage loans to be acquired; (d) the amounts and types of insurance coverage required on mortgages, mortgage loans, and bonds; (e) the representations and warranties of mortgage lenders confirming compliance with such standards and requirements; (f) restrictions as to interest rate and other terms of mortgages or mortgage loans or the return realized therefrom by mortgage lenders; (g) the type and amount of collateral security to be provided to assure repayment of any loans from the commission and to assure repayment of bonds; and (h) any other matters related to the purchase of mortgages or mortgage loans or the making of loans to lending institutions as shall be deemed relevant by the commission;

(2) Sue and be sued in its own name;

(3) Make and execute contracts and all other instruments necessary or convenient for the exercise of its purposes or powers, including but not limited to contracts or agreements for the origination, servicing, and administration of mortgages or mortgage loans, and the borrowing of money;

(4) Procure such insurance, including but not limited to insurance: (a) Against any loss in connection with its property and other assets, including but not limited to mortgages or mortgage loans, in such amounts and from such insurers as the commission deems desirable, and (b) to indemnify members of the commission for acts done in the course of their duties;

(5) Provide for the investment of any funds, including funds held in reserve, not required for immediate disbursement, and provide for the selection of investments;

(6) Fix, revise, and collect fees and charges in connection with the investigation and financing of housing or in connection with assignments, contracts, purchases of mortgages or mortgage loans, or any other actions permitted under this chapter or by the commission; and receive grants and contributions;

(7) Make such expenditures as are appropriate for paying the administrative costs of the commission and for carrying out the provisions of this chapter. These expenditures may be made only from funds consisting of the commission's receipts from fees and charges, grants and contributions, the proceeds of bonds issued by the commission, and other revenues; these expenditures shall not be made from funds of the state of Washington;

(8) Establish such special funds, and controls on deposits to and disbursements from them, as it finds convenient for the implementation of this chapter;

(9) Conduct such investigations and feasibility studies as it deems appropriate;

(10) Proceed with foreclosure actions or accept deeds in lieu of foreclosure together with the assignments of leases and rentals incidental thereto. Any properties acquired by the commission through such actions shall be sold as soon as practicable through persons licensed under chapter 18.85 RCW or at public auction, or by transfer to a public agency. In preparation for the disposition of the properties, the commission may own, lease, clear, construct, reconstruct, rehabilitate, repair, maintain, manage, operate, assign, or encumber the properties;

(11) Take assignments of leases and rentals;

(12) Subject to any provisions of the commission's contracts with the holders of obligations of the commission, consent to any modification with respect to rate of interest, time, and payment of any installment of principal or interest or any other term of any contract, mortgage, mortgage loan, mortgage loan commitment, contract, or agreement of any kind;

(13) Subject to provisions of the commission's contracts with the holders of bonds, permit the reduction of rental or carrying charges to persons unable to pay the regular rent or schedule of charges if, by reason of other income of the commission or by reason of payment by any department, agency, or instrumentality of the United States or of this state, the reduction can be made without jeopardizing the economic stability of the housing being financed;

(14) Sell, at public or private sale, with or without public bidding, any mortgage, mortgage loan, or other instrument or asset held by the commission;

(15) Employ, contract with, or engage engineers, architects, attorneys, financial advisors, bond underwriters, mortgage lenders, mortgage administrators, housing construction or financing experts, other technical or professional assistants, and such other personnel as are necessary. The commission may delegate to the appropriate persons the power to execute legal instruments on its behalf;

(16) Receive contributions or grants from any source unless otherwise prohibited;

(17) Delegate any of its powers and duties if consistent with the purposes of this chapter;

(18) Exercise any other power reasonably required to implement the purposes of this chapter.

NEW SECTION. Sec. 9. (1) The commission shall adopt written policies to provide for the selection of bond counsel. The policies shall provide for the creation and maintenance of a roster of attorneys whom the commission believes possess the requisite special expertise and professional standing to provide bond counsel opinions which would be accepted by the underwriters, bondholders, and other members of the financial community, and which would be in furtherance of the public interest in obtaining the lowest possible interest rates on the bonds issued by the commission. Any attorney may apply to have his or her name placed on the roster, but may not be placed on the roster unless the attorney demonstrates to the commission's satisfaction that the attorney would issue the kind of opinions required by this section.

(2) Prior to selecting an attorney or attorneys to provide bond counsel services, the commission shall provide all attorneys on the roster with a notice of its intentions to select bond counsel and shall invite each of them to submit to the commission his or her fee schedule for providing bond counsel services. The commission shall have wide discretion in selecting the attorney or attorneys it considers to be most appropriate to provide the services, but in the exercise of this discretion the commission shall consider all submitted fee schedules and the public interest in achieving both savings in bond counsel fees and issuance of bonds on terms most favorable to the commission. At least once every two calendar years, the commission shall select anew an attorney or attorneys to serve as bond counsel. However, the commission may retain an attorney for longer than two years when necessary to complete work on a particular bond issue. An attorney previously retained may be selected again but only after the commission has provided other attorneys on the roster with an opportunity to be selected and has made the fee schedule review required under this subsection. In addition to or as an alternative to retaining counsel for a period of time, the commission may appoint an attorney to serve as counsel in respect to only a particular bond issue.

NEW SECTION. Sec. 10. (1) The commission shall adopt written policies to provide for the selection of underwriters. The policies shall provide for the creation of a roster of underwriters whom the commission believes possess the requisite special expertise and professional standing to provide bond marketing services which would be accepted by bondholders and other members of the financial community, and which would be in furtherance of the public interest in marketing the commission's bonds at the lowest possible costs. Any underwriter may apply to have its name placed on the roster, but may not be placed on the roster unless it demonstrates to the commission's satisfaction that it meets the requirements of this section.

(2) Whenever the commission decides that it needs the services of an underwriter, it shall provide all underwriters on the roster with a notice of its intentions and shall invite each of them to submit to the commission an itemization of its fees and other charges for providing underwriting services on the issue. The itemization shall be by categories designed by the commission. The commission shall have wide discretion in selecting the underwriter it considers to be most appropriate to provide the services, but in the exercise of this discretion the commission shall consider the underwriter's fees and other charges and the public interest in achieving both savings in the total costs of underwriting services and issuance of bonds on terms most favorable to the commission.

NEW SECTION. Sec. 11. The commission shall submit the initial policies adopted under section 9 and section 10 of this act to the chief clerk of the house and the secretary of the senate for transmittal to and review by the appropriate standing committees and the joint administrative rules review committee. By January 1, 1984 the commission shall have adopted policies in the form of rules and regulations under chapter 34.04 RCW. Such rules and regulations may only be changed or revised in accordance with chapter 34.04 RCW.

NEW SECTION. Sec. 12. The legislature recognizes that the demand for mortgage loans for nonrental single family housing will probably greatly exceed the supply of bond proceeds available to satisfy the demand. Therefore, the commission shall adopt rules providing procedures to assure that the bond proceeds available for that kind of housing shall be made available to qualified mortgagors in a fair and equitable manner.

NEW SECTION. Sec. 13. The commission is encouraged to adopt policies which will assure that bondholders will be protected against the failure to make mortgage payments financed under this chapter. Such policies may require, among other things, mortgage insurance.

NEW SECTION. Sec. 14. **RULES FOR ENERGY EFFICIENCY.** The commission shall adopt rules providing for financing assistance to implement cost-effective energy efficiency improvements.

NEW SECTION. Sec. 15. BOND ISSUES—TERMS—ISSUANCE—PURCHASE, ETC. (1) The commission's bonds shall bear such date or dates, mature at such time or times, be in such denominations, be in such form, be registered or registerable in such manner, be made transferable, exchangeable, and interchangeable, be payable in such medium of payment, at such place or places, be subject to such terms of redemption, bear such fixed or variable rate or rates of interest, be payable at such time or times, and be sold in such manner and at such price or prices, as the commission determines. The bonds shall be executed by the chair, by either its duly elected secretary or its treasurer, and by the trustee or paying agent if the commission determines to use a trustee or paying agent for the bonds. Execution of the bonds may be by manual or facsimile signature.

(2) The bonds of the commission shall be subject to such terms, conditions, covenants, and protective provisions as are found necessary or desirable by the commission, including, but not limited to, pledges of the commission's assets, setting aside of reserves, limitations on additional forms of indebtedness, and the mortgaging of all or any part of the commission's real or personal property, then owned or thereafter acquired, and other provisions the commission finds are necessary or desirable for the security of bond holders.

(3) Any security interest created in the unexpended bond proceeds and in the special funds created by the commission shall be immediately valid and binding against such moneys and any securities in which such moneys may be invested without commission or trustee possession thereof, and the security interest shall be prior to any party having any competing claim in such moneys or securities, without filing or recording pursuant to chapter 62A.9 RCW and regardless of whether the party has notice of the security interest.

(4) When issuing bonds, the commission may provide for the future issuance of additional bonds or parity debt on a parity with outstanding bonds, and the terms and conditions of their issuance. The commission may refund or advance refund any bond of the commission in accordance with chapter 39.53 RCW or issue bonds with a subordinate lien against the fund or funds securing outstanding bonds.

(5) The chair of the state finance committee or the chair's designee shall be notified in advance of the issuance of bonds by the commission in order to promote the orderly offering of obligations in the financial markets.

(6) The members of the commission and any person executing the bonds are not liable personally on the indebtedness or subject to any personal liability or accountability by reason of the issuance thereof.

(7) The commission may, out of any fund available therefor, purchase its bonds in the open market.

NEW SECTION. Sec. 16. DEBT LIMITATION. The total amount of outstanding indebtedness of the commission may not exceed one billion dollars at any time.

NEW SECTION. Sec. 17. BOND ISSUES—DISPOSITION OF PROCEEDS—SPECIAL FUND. Proceeds from the sale of all bonds issued under this chapter received by the commission shall be deposited forthwith by the commission in any trust company, savings bank, savings and loan association, or bank having the powers of a trust company within or without the state, in a special fund or funds established for the particular purposes for which the bonds were issued and sold, which money shall not be funds of the state of Washington. Such fund or funds shall at all times be segregated and set apart from all other funds and held in trust for the purposes for which such bonds were issued as determined by the commission. Money other than bond sale proceeds received by the commission for these same purposes, such as private contributions or grants from the federal government, may be deposited in such fund or funds. Proceeds received from the sale of the bonds may also be used to defray the expenses of the commission in connection with and incidental to the issuance and sale of bonds, as well as expenses for studies, surveys, estimates, plans, inspections, and examinations of or incidental to the purposes for which the bonds were issued, and other costs advanced therefor by third parties or by the commission. In lieu of the commission receiving and handling these moneys in the manner outlined in this section, the commission may appoint trustees, depositaries, paying agents, and other financial institutions within or without the state to perform the functions outlined and to receive, hold, disburse, invest, and reinvest such funds on its behalf and for the protection of the bondholders.

NEW SECTION. Sec. 18. BOND ISSUES—SPECIAL TRUST FUND—PAYMENTS—STATUS—ADMINISTRATION OF FUND. All revenues received by the commission including funds received from contributions or grants or in any other form to pay principal of and interest on bonds or for other bond requirements such as reserves shall be deposited by the commission in any trust company, savings bank, savings and loan association, or bank having the powers of a trust company within or without the state, to the credit of a special trust fund or funds. The commission may establish a bond fund or funds, and a reserve, sinking fund and other accounts therein, for payment of principal and interest and for other special requirements of the bonds as determined by the commission. In lieu of the commission receiving and handling these moneys as outlined in this section, the commission may appoint trustees, depositaries, paying agents, and other financial institutions to perform the functions outlined and to receive, hold, disburse, invest, and reinvest such funds on its behalf and for the protection of the bondholders. Such revenues and funds, whether received and held by the commission or by others on its behalf, shall not be or

constitute public funds of the state of Washington but at all times shall be kept segregated and apart from all other funds.

NEW SECTION. Sec. 19. LEGAL INVESTMENTS. Bonds issued under this chapter are hereby made securities in which all public officers and public bodies of the state and its political subdivisions, all insurance companies, trust companies in their commercial departments, savings banks, cooperative banks, banking associations, investment companies, executors, trustees and other fiduciaries, and all other persons whatsoever who are now or may hereafter be authorized to invest in obligations of the state may properly and legally invest funds, including capital in their control or belonging to them. Such bonds are hereby made securities which may properly and legally be deposited with and received by any state or municipal officer or any agency or political subdivisions of the state for any purpose for which the deposit of bonds and other obligations of the state are now or may hereafter be authorized by law.

NEW SECTION. Sec. 20. INTERNAL REVENUE CODE. For purposes of the code:

(1) The legislature reserves the right at any time to alter or change the structure, organization, programs, or activities of the commission and to terminate the commission, so long as the action does not impair any outstanding contracts entered into by the commission;

(2) Any net earnings of the commission beyond that necessary to retire its bonds and to carry out the purposes of this chapter shall not inure to the benefit of any person other than the state;

(3) Upon dissolution of the commission, title to all of its remaining property shall vest in the state;

(4) The commission constitutes the only housing finance agency of the state of Washington; and

(5) In order to take advantage of the maximum amount of tax exempt bonds for housing financing available pursuant to the code, the state ceiling for each of the calendar years 1983 and 1984 shall be allocated in accordance with the following formula:

(a) Eighty percent of the state ceiling shall be allocated to the commission and twenty percent shall be allocated to the other issuing authorities in the state.

(b) The allocation to the issuing authorities other than the commission shall be distributed to such issuing authorities in amounts as determined following public notice by the planning and community affairs agency, or its successor, pursuant to rules promulgated by it. The distribution shall be in response to applications received from such issuing authorities and shall be based on the following factors: (i) The amount of housing to be made available by such applicant; (ii) the population within the jurisdiction of the applicant; (iii) coordination with other applicable federal and state housing programs; (iv) the likelihood of implementing the proposed financing during

that year; and (v) consistency with the plan of the commission. On or before February 1 of each year, the planning and community affairs agency shall distribute the state ceiling allocation among such issuing authorities and any unused portion shall be added to the allocation of the commission. However, for calendar year 1983, the distribution shall be made on or before September 1, 1983. After 1983 each issuing authority other than the commission shall confirm its allocation distribution by providing to the planning and community affairs agency no later than June 1 a copy of an executed bond purchase contract or alternative documentation deemed sufficient by the commission to evidence the reasonable likelihood of the allocation distribution being fully used. Any portion of such allocation not so confirmed shall be added to the allocation of the commission on July 1. Prior to July 1, the commission shall provide written notice of the allocation decrease to the affected issuing authority. The reallocation shall not limit the authority of the commission to assign a portion of its allocation pursuant to subsection (5)(c) of this section.

(c) The commission may assign a portion of its allocation to another issuing agency.

(d) For calendar year 1983, the allocations to issuing authorities, other than the commission, shall include bonds issued by the authorities during the first six months of 1983. However, the planning and community affairs agency, or its successor, shall adopt rules to ensure that the total amount of bonds issued by the authorities during the six-month period does not exceed their twenty percent share and that the total amount of bonds issued by any single issuing authority during such period does not exceed twenty-five million dollars.

NEW SECTION. Sec. 21. If any part of this chapter is found to be in conflict with federal requirements which are a prescribed condition to the allocation of federal funds to the state, the conflicting part of this chapter is hereby declared to be inoperative solely to the extent of the conflict and with respect to the agencies directly affected, and such finding or determination shall not affect the operation of the remainder of this chapter in its application to the agencies concerned. The rules under this chapter shall meet federal requirements which are a necessary condition to the receipt of federal funds by the state.

NEW SECTION. Sec. 22. ANNUAL FISCAL AUDIT. The commission shall select an accounting firm to perform an annual fiscal audit. The audit shall be performed by an independent certified public accountant in accordance with generally accepted auditing standards. The results of the audit shall be made available to the governor and the legislature.

NEW SECTION. Sec. 23. CONSTRUCTION. This chapter, being necessary for the welfare of the state and its inhabitants, shall be liberally construed to effect the purposes thereof.

NEW SECTION. Sec. 24. CAPTIONS NOT PART OF LAW. As used in this chapter and sections 24 and 25 of this act, section captions constitute no part of the law.

NEW SECTION. Sec. 25. There is added to chapter 82.04 RCW a new section to read as follows:

BUSINESS AND OCCUPATION TAX EXEMPTION. This chapter does not apply to income received by the state housing finance commission under chapter 43.____ RCW (sections 1 through 23 of this act).

NEW SECTION. Sec. 26. There is added to chapter 84.36 RCW a new section to read as follows:

PROPERTY TAX EXEMPTION. The real and personal property of the state housing finance commission established by chapter 43.____ RCW (sections 1 through 23 of this act) are exempt from taxation.

Sec. 27. Section 9, chapter 10, Laws of 1982 and RCW 42.17.240 are each amended to read as follows:

(1) Every elected official (except president, vice president, and precinct committeemen), every chief executive state officer as specified in RCW 43.17.020, as now or hereafter amended, the chief administrative law judge, the director of financial management, the director of personnel, the director of the planning and community affairs agency, the director of the state system of community colleges, the executive director of the data processing authority, the executive secretary of the forest practice appeals board, the director of the gambling commission, the director of the higher education personnel board, the secretary of transportation, the executive secretary of the horse racing commission, the executive secretary of the human rights commission, the administrator of the interagency committee for outdoor recreation, the director of parks and recreation, the executive secretary of the board of prison terms and paroles, the administrator of the public disclosure commission, the director of retirement systems, the secretary of the utilities and transportation commission, the executive secretary of the board of tax appeals, the secretary of the state finance committee, the president of each of the regional and state universities and the president of The Evergreen State College, each district and each campus president of each state community college, each professional staff member of the office of the governor, each professional staff member of the legislature, and each member of the state board for community college education, data processing authority, forest practices board, forest practices appeals board, gambling commission, game commission, higher education personnel board, transportation commission, horse racing commission, human rights commission, board of industrial insurance appeals, liquor control board, interagency committee for outdoor recreation, parks and recreation commission, personnel board, personnel appeals board, board of prison terms and paroles, public disclosure commission, public employees' retirement system board, public

pension commission, University of Washington board of regents, Washington State University board of regents, board of tax appeals, teachers' retirement system board of trustees, Central Washington University board of trustees, Eastern Washington University board of trustees, The Evergreen State College board of trustees, Western Washington University board of trustees, board of trustees of each community college, state housing finance commission, and the utilities and transportation commission, shall after January 1st and before April 15th of each year for the preceding calendar year; and every candidate, and every person appointed to fill a vacancy in an elective office (except for the offices of president, vice president, and precinct committeeman) shall, within two weeks of becoming a candidate or being appointed to such elective office, and every person appointed to the appointive positions enumerated herein shall, within two weeks of being so appointed, for the preceding twelve months; file with the commission a written statement sworn as to its truth and accuracy stating for himself and all members of his immediate family: PROVIDED, That no individual shall be required to file more than once in any calendar year: PROVIDED HOWEVER, That a statement of a candidate or appointee filed during the period January 1st to April 15th shall cover the period from January 1st of the preceding calendar year to the time of candidacy or appointment if the filing of such statement would relieve the individual of a prior obligation to file a statement covering the entire preceding calendar year:

(a) Occupation, name of employer, and business address; and

(b) Each bank or savings account or insurance policy in which any such person or persons owned a direct financial interest which exceeded five thousand dollars at any time during such period; each other item of intangible personal property in which any such person or persons owned a direct financial interest, the value of which exceeded five hundred dollars during such period; and the name, address, nature of entity, nature and highest value of each such direct financial interest during the reporting period; and

(c) The name and address of each creditor to whom the value of five hundred dollars or more was owed; the original amount of each debt to each such creditor; the amount of each debt owed to each creditor as of the date of filing; the terms of repayment of each such debt; and the security given, if any, for each such debt: PROVIDED, That debts arising out of a "retail installment transaction" as defined in chapter 63.14 RCW (Retail Installment Sales Act) need not be reported; and

(d) Every public or private office, directorship and position as trustee held; and

(e) All persons for whom any legislation, or any rule, rate, or standard has been prepared, promoted, or opposed for current or deferred compensation: PROVIDED, That for the purposes of this subsection, "compensation"

shall not include payments made to the person reporting by the governmental entity for which such person serves as an elected or appointed public officer or professional staff member for his service in office; the description of such actual or proposed legislation, rules, rates, or standards; and the amount of current or deferred compensation paid or promised to be paid; and

(f) The name and address of each governmental entity, corporation, partnership, joint venture, sole proprietorship, association, union, or other business or commercial entity from whom compensation has been received in any form of a total value of five hundred dollars or more; the value of such compensation; and the consideration given or performed in exchange for such compensation; and

(g) The name of any corporation, partnership, joint venture, association, union, or other entity in which is held any office, directorship, or any general partnership interest, or an ownership interest of ten percent or more; the name or title of that office, directorship, or partnership; the nature of ownership interest; and with respect to each such entity: (i) With respect to a governmental unit in which the official holds any office or position, if such entity has received compensation in any form during the preceding twelve months from such governmental unit, the value of such compensation and the consideration given or performed in exchange for such compensation; (ii) The name of each governmental unit, corporation, partnership, joint venture, sole proprietorship, association, union, or other business or commercial entity from which such entity has received compensation in any form in the amount of two thousand five hundred dollars or more during the preceding twelve months and the consideration given or performed in exchange for such compensation: PROVIDED, That the term "compensation" for purposes of this subsection (1)(g)(ii) shall not include payment for water and other utility services at rates approved by the Washington state utilities and transportation commission or the legislative authority of the public entity providing such service: PROVIDED, FURTHER, That with respect to any bank or commercial lending institution in which is held any such office, directorship, partnership interest, or ownership interest, it shall only be necessary to report either the name, address, and occupation of every director and officer of such bank or commercial lending institution and the average monthly balance of each account held during the preceding twelve months by such bank or commercial lending institution from the governmental entity for which the individual is an official or candidate or professional staff member, or all interest paid by a borrower on loans from and all interest paid to a depositor by such bank or commercial lending institution if such interest exceeds six hundred dollars; and

(h) A list, including legal or other sufficient descriptions as prescribed by the commission, of all real property in the state of Washington, the assessed valuation of which exceeds two thousand five hundred dollars in

which any direct financial interest was acquired during the preceding calendar year, and a statement of the amount and nature of the financial interest and of the consideration given in exchange for such interest; and

(i) A list, including legal or other sufficient descriptions as prescribed by the commission, of all real property in the state of Washington, the assessed valuation of which exceeds two thousand five hundred dollars in which any direct financial interest was divested during the preceding calendar year, and a statement of the amount and nature of the consideration received in exchange for such interest, and the name and address of the person furnishing such consideration; and

(j) A list, including legal or other sufficient descriptions as prescribed by the commission, of all real property in the state of Washington, the assessed valuation of which exceeds two thousand five hundred dollars in which a direct financial interest was held: PROVIDED, That if a description of such property has been included in a report previously filed, such property may be listed, for purposes of this provision, by reference to such previously filed report; and

(k) A list, including legal or other sufficient descriptions as prescribed by the commission, of all real property in the state of Washington, the assessed valuation of which exceeds five thousand dollars, in which a corporation, partnership, firm, enterprise, or other entity had a direct financial interest, in which corporation, partnership, firm or enterprise a ten percent or greater ownership interest was held; and

(l) Such other information as the commission may deem necessary in order to properly carry out the purposes and policies of this chapter, as the commission shall by rule prescribe.

(2) Where an amount is required to be reported under subsection (1), paragraphs (a) through (k) of this section, it shall be sufficient to comply with such requirement to report whether the amount is less than one thousand dollars, at least one thousand dollars but less than five thousand dollars, at least five thousand dollars but less than ten thousand dollars, at least ten thousand dollars but less than twenty-five thousand dollars, or twenty-five thousand dollars or more. An amount of stock may be reported by number of shares instead of by market value. No provision of this subsection shall be interpreted to prevent any person from filing more information or more detailed information than required.

Sec. 28. Section 4, chapter 95, Laws of 1895 as last amended by section 1, chapter 167, Laws of 1979 ex. sess. and RCW 4.92.040 are each amended to read as follows:

(1) No execution shall issue against the state on any judgment.

(2) Whenever a final judgment against the state shall have been obtained in an action on a claim arising out of tortious conduct, the clerk shall make and furnish to the director of financial management a duly certified

copy of said judgment and the same shall be paid out of the tort claims revolving fund.

(3) Whenever a final judgment against the state shall have been obtained in any other action, the clerk of the court shall make and furnish to the director of financial management a duly certified copy of such judgment; the director of financial management shall thereupon audit the amount of damages and costs therein awarded, and the same shall be paid from appropriations specifically provided for such purposes by law.

(4) On and after September 21, 1977, all claims made to the legislature against the state of Washington for money or property, shall be accompanied by a statement of the facts on which such claim is based and such evidence as the claimant intends to offer in support of the claim and shall be filed with the director of financial management who shall retain the same as a record. All claims of five hundred dollars or less shall be approved or rejected by the director of financial management and if approved shall be paid from appropriations specifically provided for such purpose by law. Such decision, if adverse to the claimant in whole or part, shall not preclude claimant from seeking relief from the legislature: PROVIDED, That if the claimant accepts any part of his or her claim which is approved for payment by the director, such acceptance shall constitute a waiver and release of the state from any further claims relating to the damage or injury asserted in the claim so accepted. The director shall submit to the senate committee on ways and means and to the house committee on appropriations, at the beginning of each regular session, a comprehensive list of all claims paid pursuant to this subsection during the preceding two years. For all claims over five hundred dollars, the director of financial management shall recommend to the legislature whether such claim should be approved or rejected. The legislative committees to whom such claims are referred shall make a transcript or statement of the substance of the evidence given in support of such a claim. If the legislature approves a claim the same shall be paid from appropriations specifically provided for such purpose by law.

(5) Subsections (3) and (4) of this section do not apply to judgments or claims against the state housing finance commission created under chapter 43.— RCW (sections 1 through 23 of this 1983 act).

NEW SECTION. Sec. 29. There is added to chapter 43.21C RCW a new section to read as follows:

This chapter does not apply to the development or adoption of the plan required to be developed and adopted under chapter 43.____ RCW (sections 1 through 23 of this act).

NEW SECTION. Sec. 30. Sections 1 through 23 of this act shall constitute a new chapter in Title 43 RCW.

NEW SECTION. Sec. 31. If any provision of this act or its application to any person or circumstance is held invalid, the remainder of the act or

the application of the provision to other persons or circumstances is not affected.

NEW SECTION. Sec. 32. (1) Except as provided in subsection (2) of this section, this act is necessary for the immediate preservation of the public peace, health, and safety, the support of the state government and its existing public institutions, and shall take effect immediately.

(2) Section 10 of this act shall take effect on January 1, 1984.

Passed the Senate April 23, 1983.

Passed the House April 18, 1983.

Approved by the Governor May 11, 1983.

Filed in Office of Secretary of State May 11, 1983.

CHAPTER 162

[Substitute House Bill No. 888]

SENTENCE REDUCTION—VIOLENT OFFENDERS EXCLUDED— SENTENCING GUIDELINES

AN ACT Relating to criminal sentencing; and amending section 2, chapter 228, Laws of 1982 and RCW 9.95.390.

Be it enacted by the Legislature of the State of Washington:

Sec. 1. Section 2, chapter 228, Laws of 1982 and RCW 9.95.390 are each amended to read as follows:

(1) To assist in reducing the overcrowding conditions in this state's maximum and medium security prisons, the board of prison terms and paroles, in performance of its duties under chapter 9.95 RCW shall reduce the inmate population by implementation of the program adopted under subsection (2) of this section: **PROVIDED**, That certification, in writing, by the governor and concurrence of the secretary of the department of corrections that reductions to reduce prison overcrowding are necessary, shall precede any action by the board. The reductions shall not apply to inmates serving mandatory minimum prison terms under RCW 9.95.040, and may not be made for an inmate confined for treason, any ((~~class A felony~~)) violent offense as defined by RCW 9.94A.030, or an inmate who has been found to be a sexual psychopath under chapter 71.06 RCW.

(2) The board of prison terms and paroles shall adopt, within ninety days of April 3, 1982, guidelines for the reductions of the inmate population. These guidelines shall be applied to all inmates except those with mandatory minimums under RCW 9.95.040 or those confined for a ((~~class A felony~~)) violent offense as defined by RCW 9.94A.030.

(3) In establishing these guidelines, the board shall give priority to sentence reductions for inmates incarcerated for nonviolent offenses, inmates who are within six months of a scheduled parole, and inmates with the best records of conduct during confinement.