

one dollars, or so much thereof as may be necessary, to carry out the purposes of this act. There is appropriated from the health professions account to the department of licensing the sum of forty-two thousand dollars, or so much thereof as may be necessary, for the biennium ending June 30, 1989, for public education.

NEW SECTION. Sec. 28. 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.

Passed the House April 15, 1987.

Passed the Senate April 7, 1987.

Approved by the Governor May 19, 1987, with the exception of certain items which were vetoed.

Filed in Office of Secretary of State May 19, 1987.

Note: Governor's explanation of partial veto is as follows:

"I am returning herewith, without my approval as to section 23(1), Substitute House Bill No. 129, entitled:

"AN ACT Relating to counselors, social workers, mental health counselors and marriage and family therapists."

Section 23(1) adds those persons who will come under registration or certification by Substitute House Bill No. 129 to the list of persons mandated to report incidents of child or adult dependent person abuse or neglect in RCW 26.44.030.

Section 10 of Engrossed Second Substitute Senate Bill No. 5659 adds licensed or certified child care providers or their employees and juvenile probation officers to the list of mandated reporters in RCW 26.44.030. This section is an appropriate addition to the mandated reporting law.

While some counselors have direct contact with children, all licensed or certified child care providers and their employees and juvenile probation officers have direct contact with children and should be a higher priority to be added as mandated reporters of child and adult dependent person abuse and neglect. Therefore, I have vetoed section 23(1) of Substitute House Bill No. 129.

With the exception of section 23(1), Substitute House Bill No. 129 is approved."

CHAPTER 513

[Engrossed Second Substitute House Bill No. 164]

HOUSING TRUST FUND

AN ACT Relating to funding the Washington housing trust fund; amending RCW 18.85.310, 43.185.100, 43.185.010, 43.185.050, 43.185.030, and 67.70.240; adding a new section to chapter 43.185 RCW; adding new sections to chapter 18.85 RCW; creating a new section; making an appropriation; and providing an effective date.

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

Sec. 1. Section 19, chapter 222, Laws of 1951 as last amended by section 44, chapter 52, Laws of 1957 and RCW 18.85.310 are each amended to read as follows:

(1) Every licensed real estate broker shall keep adequate records of all real estate transactions handled by or through him. The records shall include, but are not limited to, a copy of the earnest money receipt, and an itemization of the broker's receipts and disbursements with each transaction. These records and all other records hereinafter specified shall be open to inspection by the director or his authorized representatives.

(2) Every real estate broker shall also deliver or cause to be delivered to all parties signing the same, at the time of signing, conformed copies of all earnest money receipts, listing agreements and all other like or similar instruments signed by the parties, including the closing statement.

(3) Every real estate broker shall also keep separate real estate fund accounts in a recognized Washington state depository authorized to receive funds in which shall be kept separate and apart and physically segregated from licensee broker's own funds, all funds or moneys of clients which are being held by such licensee broker pending the closing of a real estate sale or transaction, or which have been collected for said client and are being held for disbursement for or to said client and such funds shall be deposited not later than the first banking day following receipt thereof.

(4) Separate accounts comprised of clients' funds required to be maintained under this section, with the exception of property management trust accounts, shall be interest-bearing accounts from which withdrawals or transfers can be made without delay, subject only to the notice period which the depository institution is required to reserve by law or regulation.

(5) Every real estate broker shall maintain a pooled interest-bearing escrow account for deposit of client funds, with the exception of property management trust accounts, which are nominal or short term. As used in this section, a "nominal or short term" deposit is a deposit which, if placed in a separate account, would not produce positive net interest income after payment of bank fees, or other institution fees, and other administrative expenses.

The interest accruing on this account, net of any reasonable transaction costs, shall be paid to the state treasurer for deposit in the Washington housing trust fund created in RCW 43.185.030. An agent may, but shall not be required to, notify the client of the intended use of such funds.

(6) All client funds not deposited in the account specified in subsection (5) of this section shall be deposited in:

(a) A separate interest-bearing trust account for the particular client or client's matter on which the interest will be paid to the client; or

(b) A pooled interest-bearing trust account with subaccounting that will provide for computation of interest earned by each client's funds and the payment thereof to the client.

The department of licensing shall promulgate regulations which will serve as guidelines in the choice of an account specified in subsection (5) of this section or an account specified in this subsection.

(7) For an account created under subsection (5) of this section, an agent shall direct the depository institution to:

(a) Remit interest or dividends, net of any reasonable service charges or fees, on the average monthly balance in the account, or as otherwise computed in accordance with an institution's standard accounting practice, at least quarterly, to the state treasurer for deposit in the housing trust fund created by RCW 43.185.030 and the real estate commission account created by RCW 18.85.220 as directed by section 9 of this 1987 act; and

(b) Transmit to the director of community development a statement showing the name of the person or entity for whom the remittance is spent, the rate of interest applied, and the amount of service charges deducted, if any, and the account balance(s) of the period in which the report is made, with a copy of such statement to be transmitted to the depositing person or firm.

(8) The director shall forward a copy of the reports required by subsection (7) of this section to the department of licensing to aid in the enforcement of the requirements of this section consistent with the normal enforcement and auditing practices of the department of licensing.

(9) This section does not relieve any real estate broker from any obligation with respect to the safekeeping of clients' funds.

(10) Any violation by a real estate broker of any of the provisions of this section, or RCW 18.85.230, shall be grounds for revocation of the licenses issued to the broker.

Sec. 2. Section 11, chapter 298, Laws of 1986 and RCW 43.185.100 are each amended to read as follows:

The department shall have the authority to promulgate rules pursuant to chapter 34.04 RCW, regarding the grant and loan process, and the substance of eligible projects, consistent with this chapter. The department shall consider the recommendations of cities and counties regarding how the funds shall be used in their geographic areas.

NEW SECTION. Sec. 3. A new section is added to chapter 43.185 RCW to read as follows:

The director shall prepare an annual report and shall send copies to the chair of the house of representatives committee on housing, the chair of the senate committee on commerce and labor, and one copy to the staff of each committee that summarizes the housing trust fund's income, grants and operating expenses, implementation of its program, and any problems arising in the administration thereof. The director shall promptly appoint a low income housing assistance advisory committee composed of a representative from each of the following groups: Apartment owners, realtors, mortgage lending or servicing institutions, private nonprofit housing assistance programs, tenant associations, and public housing assistance programs. The

advisory group shall advise the director on housing needs in this state, operational aspects of the grant and loan program or revenue collection programs established by this chapter, and implementation of the policy and goals of this chapter.

***Sec. 4. Section 1, chapter 298, Laws of 1986 and RCW 43.185.010 are each amended to read as follows:**

The legislature finds that current economic conditions, federal housing policies and declining resources at the federal, state, and local level adversely affect the ability of low and very low-income persons to obtain safe, decent, and affordable housing.

The legislature further finds that members of over one hundred twenty thousand households live in housing units which are overcrowded, lack plumbing, are otherwise threatening to health and safety, and have rents and utility payments which exceed thirty percent of their income.

The legislature further finds that the homeless, minorities, rural households, and migrant farm workers require housing assistance at a rate which significantly exceeds their proportion of the general population.

The legislature further finds that one of the most dramatic housing ~~((needs))~~ problems is that of persons ~~((needing special housing-related services))~~ with specialized housing needs, such as the mentally ill, recovering alcoholics, frail elderly persons, and single parents. ~~((These services include medical assistance, counseling, chore services, and child care.))~~

The legislature further finds that housing assistance programs in the past have often failed to help those in greatest need.

The legislature declares that it is in the public interest to establish a continuously renewable resource known as a housing trust fund to assist low and very low-income citizens in meeting their basic housing needs, and that the needs of very low-income citizens should be given priority.

**Sec. 4 was vetoed, see message at end of chapter.*

***Sec. 5. Section 6, chapter 298, Laws of 1986 and RCW 43.185.050 are each amended to read as follows:**

(1) The department shall use funds from the housing trust fund to finance in whole or in part any loans or grant projects that will provide housing for the homeless and persons and families with special housing needs and with incomes at or below fifty percent of the median family income for the county or standard metropolitan statistical area where the project is located. Not less than thirty percent of such funds used in any given biennium shall be for the benefit of projects located in rural areas as defined in 63 Stat. 432, 42 U.S.C. Sec. 1471 et seq.

(2) Activities eligible for assistance include, but are not limited to:

(a) New construction, rehabilitation, or acquisition of low and very low-income housing units;

(b) Rent subsidies in new construction or rehabilitated multifamily units;

~~(c) ((Matching funds for social services directly related to providing housing for special-need tenants in assisted projects;~~

~~(d))) Technical assistance, design and finance services and consultation, and administrative costs for eligible nonprofit community or neighborhood-based organizations, so long as said assistance is directed toward construction or rehabilitation of housing;~~

~~((e))) (d) Administrative costs for housing assistance groups or organizations when such grant or loan will substantially increase the recipient's access to housing funds other than those available under this chapter;~~

~~((f))) (e) Shelters and related services for the homeless;~~

~~((g))) (f) Mortgage subsidies for new construction or rehabilitation of eligible multifamily units;~~

~~((h))) (g) Mortgage insurance guarantee or payments for eligible projects; and~~

~~((i))) (h) Acquisition of housing units for the purpose of preservation as low-income or very low-income housing.~~

*Sec. 5 was vetoed, see message at end of chapter.

Sec. 6. Section 2, chapter 298, Laws of 1986 and RCW 43.185.030 are each amended to read as follows:

There is hereby created a fund in the office of the treasurer known as the Washington housing trust fund. ~~((The treasurer shall serve as the trustee thereof and shall make disbursements therefrom as directed by this chapter.))~~ The housing trust fund shall include revenue from the sources established by this chapter, appropriations by the legislature, private contributions, and all other sources. Eighty percent of the return on the fund in the form of investment income or interest shall be added to the principal of the fund. The remaining twenty percent shall be placed in the general fund.

Sec. 7. Section 24, chapter 7, Laws of 1982 2nd ex. sess. as amended by section 5, chapter 375, Laws of 1985 and RCW 67.70.240 are each amended to read as follows:

The moneys in the state lottery account shall be used only: (1) For the payment of prizes to the holders of winning lottery tickets or shares; (2) for purposes of making deposits into the reserve account created by RCW 67.70.250 and into the lottery administrative account created by RCW 67.70.260; (3) for purposes of making deposits into the state's general fund; (4) for purposes of making deposits into the housing trust fund under the provisions of section 7 of this 1987 act; (5) for the purchase and promotion of lottery games and game-related services; and ~~((5))~~ (6) for the payment of agent compensation.

The office of financial management shall require the allotment of all expenses paid from the account and shall report to the ways and means committees of the senate and house of representatives any changes in the allotments.

NEW SECTION. Sec. 8. A new section is added to chapter 18.85 RCW to read as follows:

There is hereby created the broker's trust account board to consist of seven members as follows:

(1) The governor shall appoint six members with at least two residing east of the Cascade range of mountains. The governor may review nominations from the Washington association of realtors, private, nonprofit housing assistance programs, and any state-wide association of public housing authorities. Three of these appointments shall be real estate brokers or salespersons licensed under chapter 18.85 RCW. The governor shall attempt to maintain a balance of interests represented through the choice of appointees.

(2) The real estate commission, created under this chapter, shall appoint one member.

(3) Members shall serve for terms of three years expiring on January 15: **PROVIDED, HOWEVER,** That of the members appointed by the governor, two shall be appointed for a term of one year, two for a term of two years, and two for a term of three years. Any vacancy occurring in the membership of the board shall be filled for the remainder of the unexpired term by the individual or entity responsible for the original appointment.

Members shall serve without compensation.

NEW SECTION. Sec. 9. A new section is added to chapter 18.85 RCW to read as follows:

Remittances received by the treasurer pursuant to RCW 18.85.310 shall be divided between the housing trust fund created by RCW 43.185-.030, which shall receive seventy-five percent and the real estate commission account created by RCW 18.85.220, which shall receive twenty-five percent.

NEW SECTION. Sec. 10. A new section is added to chapter 18.85 RCW to read as follows:

The broker's trust account board shall review grant and loan applications placed before it by the director for final approval pursuant to section 11 of this act.

The decisions of the board shall be subject to the provisions of RCW 43.185.050, 43.185.060, and 43.185.070 with regard to eligible activities, eligible recipients, and criteria for evaluation.

The broker's trust account board shall serve in an advisory capacity to the real estate commission with regard to licensee education programs established pursuant to RCW 18.85.040 and 18.85.220.

NEW SECTION. Sec. 11. A new section is added to chapter 18.85 RCW to read as follows:

The director shall designate grant and loan applications for approval and for funding under the revenue from remittances made pursuant to

RCW 18.85.310. These applications shall then be reviewed for final approval by the broker's trust account board created by section 8 of this act.

The director shall submit to the broker's trust account board within any fiscal year only such applications which in their aggregate total funding requirements do not exceed the revenue to the housing trust fund from remittances made pursuant to RCW 18.85.310 for the previous fiscal year.

NEW SECTION. Sec. 12. There is hereby appropriated from the housing trust fund to the department of community development for the biennium ending June 30, 1989, the sum of twelve million dollars, or so much thereof as shall be necessary, to implement the purposes of chapter 43.185 RCW.

NEW SECTION. Sec. 13. 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. 14. *This act does not apply to public corporations created by chapter 35.82 RCW until October 1, 1988.*

*Sec. 14 was vetoed, see message at end of chapter.

NEW SECTION. Sec. 15. This act shall take effect January 1, 1988.

Passed the House April 22, 1987.

Passed the Senate April 13, 1987.

Approved by the Governor May 19, 1987, with the exception of certain items which were vetoed.

Filed in Office of Secretary of State May 19, 1987.

Note: Governor's explanation of partial veto is as follows:

"I am returning herewith, without my approval as to sections 4, 5, and 14, Engrossed Second Substitute House Bill No. 164, entitled:

"AN Act Relating to funding the Washington housing trust fund."

Engrossed Second Substitute House Bill No. 164 provides funding from interest earnings on nominal deposits of real estate earnest money. A low income housing assistance advisory committee is established to advise the director of the Department of Community Development. A brokers' trust account board is created with final authority over the award of housing grant funds from this financing source. Twenty-five percent of the aggregated interest on brokers' trust accounts is directed to the real estate commission account for licensee education activities.

Sections 4 and 5 of the bill delete language related to social services that was included in the original enabling legislation. This language includes special support services directly related to housing as an eligible activity for the award of housing trust grant funds. Although the majority of these funds are intended for housing activities related to construction and rehabilitation, it is also important to retain the trust funds' flexibility to meet unique housing services needs as these arise.

Removal of these sections results in the elimination of new language to explicitly include the homeless as a target group for trust fund grants. This does not represent a substantive change, however, because shelters and other services for the homeless are already designated as eligible activities for receipt of funds in section 6 of the enabling statute.

Section 14 was inadvertently left in the bill after interest earnings on tenant security deposits was removed as a potential trust funding source. I am removing this section to avoid confusion.

With the exception of sections 4, 5, and 14, Engrossed Second Substitute House Bill No. 164 is approved."

CHAPTER 514

[Engrossed House Bill No. 435]

REAL ESTATE LICENSURE—BUSINESS PROFESSIONS REGULATION REQUEST PROCESS

AN ACT Relating to real estate brokers and salesmen; amending RCW 18.85.215 and 82.45.010; adding new sections to chapter 18.85 RCW; creating a new section; and making an appropriation.

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

Sec. 1. Section 8, chapter 370, Laws of 1977 ex. sess. as amended by section 4, chapter 162, Laws of 1985 and RCW 18.85.215 are each amended to read as follows:

(1) Any license issued under this chapter and not otherwise revoked shall be deemed "inactive" at any time it is delivered to the director. Until reissued under this chapter, the holder of an inactive license shall be deemed to be unlicensed.

(2) An inactive license may be renewed on the same terms and conditions as an active license, and failure to renew shall result in cancellation in the same manner as an active license.

(3) An inactive license may be placed in an active status upon completion of an application as provided by the director and upon compliance with this chapter and the rules adopted pursuant thereto. If a holder has an inactive license for more than three years, the holder must show proof of successfully completing a thirty clock hour course in real estate within one year prior to the application for active status. Holders employed by the state and conducting real estate transactions on behalf of the state are exempt from this course requirement.

(4) The provisions of this chapter relating to the denial, suspension, and revocation of a license shall be applicable to an inactive license as well as an active license, except that when proceedings to suspend or revoke an inactive license have been initiated, the license shall remain inactive until the proceedings have been completed.

NEW SECTION. Sec. 2. A new section is added to chapter 18.85 RCW to read as follows:

No person licensed under this chapter who is employed by the state and who is conducting real estate transactions on behalf of the state may hold an active license under this chapter.