

FINAL BILL REPORT

SHB 1260

FULL VETO

Brief Description: Concerning public facilities' grants and loans.

Sponsors: House Committee on Capital Budget (originally sponsored by Representatives Warnick and Stanford; by request of Washington State Department of Commerce).

House Committee on Technology & Economic Development

House Committee on Capital Budget

Senate Committee on Trade & Economic Development

Senate Committee on Agriculture, Water & Rural Economic Development

Background:

The Community Economic Revitalization Board (CERB) is governed by a 20-member board that is charged with funding public infrastructure improvements that encourage new business development and expansion.

Community Economic Revitalization Board Membership.

The CERB is staffed by the Department of Commerce and includes four non-voting agency directors and 16 voting members: four legislators; an economist; one official each of a city, county, port district, and federally-recognized Indian tribe; one representative of the public; and two representatives of large businesses and four representatives of small businesses. The non-legislative members are appointed by the Director of the Department of Commerce.

The large business representatives must include two executives, one from the area west of the Cascades and one from the area east of the Cascades. The small businesses representatives must include representatives from: (a) the area west of Puget Sound; (b) the area east of Puget Sound and west of the Cascade range; (c) the area east of the Cascade range and west of the Columbia river; and (d) the area east of the Columbia river.

Funding for Grants and Loans.

The CERB is focused on creating and retaining jobs in partnership with local governments. Local governments may apply for low-interest loans and, occasionally, grants from the CERB to finance public facility projects. Public facilities eligible for CERB financing include: bridges; roads; domestic and industrial water; earth stabilization; sanitary sewer; storm sewer; railroad; telecommunications; electricity; transportation; natural gas; buildings or structures; and port facilities.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

The traditional CERB program offers three financing programs: Committed Private Partner Construction, which requires evidence that a private development or expansion is ready to occur, contingent on approval of CERB funds; Prospective Development Construction, which requires evidence that a private development or expansion is likely to occur as a result of the public improvements; and planning projects, which evaluate high-priority economic development projects. Funding for CERB projects is appropriated in the Capital Budget primarily from the Public Facilities Construction Loan Revolving Account.

Award Criteria.

Applications for grants and loans under the CERB program must meet certain statutory eligibility criteria. For example, in 2008 the Legislature added the requirement that, in addition to other threshold criteria, an applicant must demonstrate by convincing evidence that the median hourly wage of the private sector jobs created from the project will exceed the countywide median hourly wage.

The CERB is also directed to prioritize funding according to established criteria, including, for example:

- the relative benefits provided to the community;
- the rate of return of the state's investment;
- whether health insurance with an option for dependents is offered; and
- whether the project increases capacity in a manner that supports infill and redevelopment of existing urban or industrial areas.

Loan Repayment.

The CERB granted discretion to establish reasonable terms and conditions for repayment for loans, including partial forgiveness of loan principal and interest payments on projects located in rural communities or rural counties.

Summary:

Community Economic Revitalization Board Membership.

The membership of the CERB is modified by removing the geographic qualification requirements for the six business representatives. When appointing members, the director of Commerce must endeavor to ensure equitable geographic representation.

Funding for Grants and Loans.

The CERB is directed to manage the Public Facilities Construction Loan Revolving Account in such a way as to ensure its sustainability and to finance projects under the following programs: Committed Private Sector Partner Construction; Prospective Development Construction; Planning; and any other program authorized by the Legislature.

The CERB may elect to reserve up to \$1 million of its biennial appropriation to use as state match for federal grant awards, as long as the purpose of the federal funds is consistent with CERB's purpose of financing economic development infrastructure, and the reserved CERB funds are matched, at a minimum, dollar for dollar by federal funds.

Award Criteria.

Certain existing criteria required for the awarding of loans and grants are removed, including those that relate to: ensuring consistency with the State Comprehensive Economic Development Plan developed by the Washington Economic Development Commission; obtaining local approval and support for an application for financing; demonstrating that wages of jobs created by a project will exceed the county's median wage; avoiding sprawl; and streamlining permitting.

The median hourly wage threshold requirement is modified by limiting its application. The CERB is required to award a minimum of 50 percent of the moneys appropriated to it in the omnibus capital appropriations act to projects that demonstrate by convincing evidence that the median hourly wage of the private sector jobs created after the project is completed will exceed the countywide median hourly wage for private sector jobs. Other awards are not required to meet the median hourly wage threshold requirement.

New criteria are established. The CERB must give priority to funding eligible Committed Private Sector Partner Construction projects. For the Committed Private Sector Partner Construction program, funding may only be provided when a specific private sector development or expansion is ready to occur, contingent on the public facility improvement. For the Prospective Development Construction program, funding may only be provided when the project demonstrates feasibility using standard economic principles. In addition to other established criteria, the CERB must prioritize funding based on the following:

- the number of jobs created;
- the average wage of those expected jobs;
- the local unemployment rate;
- the fit of the expected business creation or expansion within the region's preferred economic growth strategy;
- the speed with which the project can begin construction;
- the leveraging of non-state funds; and
- expected job creation and wage benefits for the amount of money provided.

Loan Repayment.

Loan repayment must begin within one year of final contract execution. However, the CERB is permitted to authorize borrowers to defer initiating loan repayments for up to three years if the need is justified in writing. Under exceptional circumstances, repayment may be deferred for up to five years as part of a package of restructured loan terms and conditions to avoid a default.

Votes on Final Passage:

House	63	34	
House	56	39	
Senate	48	1	(Senate amended)
House			(House refused to concur)
Senate			(Senate receded)
Senate	39	10	(Senate amended)
House	53	44	(House concurred)