

HOUSE BILL REPORT

E2SHB 1648

As Passed House:
March 9, 2013

Title: An act relating to community economic revitalization in incorporated areas.

Brief Description: Providing for community economic revitalization in incorporated areas.

Sponsors: House Committee on Capital Budget (originally sponsored by Representatives Appleton, Johnson, McCoy, Pike, Ryu, Moscoso and Hansen).

Brief History:

Committee Activity:

Community Development, Housing & Tribal Affairs: 2/7/13, 2/13/13 [DPS];
Capital Budget: 2/25/13, 2/26/13 [DP2S(w/o sub CDHT)].

Floor Activity:

Passed House: 3/9/13, 89-8.

Brief Summary of Engrossed Second Substitute Bill

- Authorizes the Community Economic Revitalization Board to make loans to municipalities to finance public facilities improvements that encourage the revitalization of abandoned and vacant properties in incorporated areas.

HOUSE COMMITTEE ON COMMUNITY DEVELOPMENT, HOUSING & TRIBAL AFFAIRS

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 9 members: Representatives McCoy, Chair; Appleton, Vice Chair; Angel, Ranking Minority Member; Johnson, Assistant Ranking Minority Member; Haler, Pike, Ryu, Santos and Sawyer.

Staff: Sean Flynn (786-7124).

HOUSE COMMITTEE ON CAPITAL BUDGET

Majority Report: The second substitute bill be substituted therefor and the second substitute bill do pass and do not pass the substitute bill by Committee on Community

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.

Development, Housing & Tribal Affairs. Signed by 8 members: Representatives Dunshee, Chair; Stanford, Vice Chair; Warnick, Ranking Minority Member; Appleton, Fey, Riccelli, Smith and Stonier.

Minority Report: Do not pass. Signed by 3 members: Representatives Hawkins, Assistant Ranking Minority Member; MacEwen and Scott.

Staff: Meg Van Schoorl (786-7105).

Background:

The Community Economic Revitalization Board (CERB) program provides loans and grants for the construction, repair, and acquisition of public facilities that encourage new business development and expansion in areas seeking economic growth. Eligible public facility projects include domestic and industrial water, buildings and structures, industrial wastewater treatment and storm water facilities, telecommunications, electricity, natural gas, and transportation.

The CERB is governed by a 20 member board that includes representatives of local governments, tribes, the private sector, the Legislature, and state agencies. The CERB conducts regularly scheduled competitive funding rounds for projects proposed by eligible jurisdictions, which include counties, cities and towns, port districts, special purpose districts, innovation partnership zones, municipal and quasi-municipal corporations, and federally-recognized Indian tribes.

The Traditional CERB program offers three financing programs: (1) Committed Private Partner Construction, which requires evidence that a private development or expansion is ready to occur, contingent on approval of CERB funds; (2) Prospective Development Construction, which requires evidence that a private development or expansion is likely to occur as a result of the public improvements; and (3) Planning Studies, which evaluate high-priority economic development projects.

Funding for CERB projects is appropriated in the omnibus capital appropriations act primarily from the Public Facilities Construction Loan Revolving Account. The CERB is required to make at least 75 percent of the first \$20 million of funds available and at least 50 percent of additional funds available to financial assistance for projects in rural counties.

Summary of Engrossed Second Substitute Bill:

Revitalization Program Created.

A Revitalization Loan Program is established as a separate and distinct program under CERB. The objective of the program is to encourage the revitalization of abandoned and vacant properties in incorporated areas so that the number and type of businesses, services and employment opportunities within a community will be maximized.

Revitalization Loans Authorized.

Under the Revitalization Loan Program, CERB is authorized to make loans to municipalities to finance the cost of improving public facilities. Municipalities include cities, counties, towns, housing authorities, and port districts. The maximum amount that CERB may award to a specific project, in a single or a combination of loans, is \$2 million. The maximum loan term is 20 years, but the borrower must begin repaying the loan five years after receiving it.

A separate account is created for the Revitalization Loan Program. Loan repayments must be deposited into the new account. Loans made under the Revitalization Loan Program are exempt from the general CERB loan terms and from the requirement that the majority of CERB funding be approved for projects in rural counties. Moneys in the account may be spent only after appropriation. The amount of outstanding loans for revitalization projects must not exceed moneys available in the account.

Eligible and Ineligible Revitalization Projects.

The CERB may provide financial assistance to municipalities for a project that will improve the opportunity in incorporated areas to revitalize existing retail, industrial, or commercial properties that are either abandoned or whose square footage is more than 75 percent vacant. General system improvements can be funded at a minimal level if critical to the project. The project must demonstrate that a specific private development or expansion is ready to occur and will only occur if the public facility improvement is made. The project must be part of a capital facilities plan, comprehensive plan, or an economic development plan consistent with applicable state planning requirements and must demonstrate economic feasibility. In addition, the project must demonstrate that the median hourly wage of private sector jobs to be created will exceed the countywide median hourly wage.

Other factors that must be considered in evaluating and prioritizing projects are: the project's value to the community, including support from affected local businesses and government; the project's readiness to proceed; feasibility; the commitment of local matching resources; the project's inclusion in a capital facilities plan; and whether the project offers health care coverage.

The CERB must not provide financial assistance for a project that: is located outside the municipality's jurisdiction; facilitates a retail shopping development with a floor area over 10,000 square feet; results in displacement of existing jobs in another Washington community; primarily facilitates or promotes gambling; results in the development of a professional sports arena; or is located outside the municipality's jurisdiction. The CERB must provide reasonable terms and conditions for repayment for loans.

Appropriations.

The biennial amount appropriated for the Revitalization Loan Program may not exceed \$10 million.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony (Community Development, Housing & Tribal Affairs):

(In support) This bill provides a tool to cities to make areas useful and able to contribute to the community and economy. Adaptive reuse of vacant and underutilized land is one of the most sustainable ways to put old buildings into use. Housing authorities are in a position to help reutilize properties and put them back on the tax rolls and should be included in the bill.

(With concerns) The bill needs some technical work to make sure the language does not prohibit the desired outcomes and that the bill is implementable.

(Opposed) None.

Staff Summary of Public Testimony (Capital Budget):

(In support) The economic downturn left many communities with abandoned and vacant properties. This new program would be a useful tool to encourage revitalization of such properties in many incorporated areas of the state.

(Opposed) None.

Persons Testifying (Community Development, Housing & Tribal Affairs): (In support) Representative Appleton, prime sponsor; Alison Hellberg, Association of Washington Cities; and Kurt Creager, Otak Incorporated.

(With concerns) Karen Larkin, Department of Commerce.

Persons Testifying (Capital Budget): Representative Appleton, prime sponsor; and Allison Hellberg, Association of Washington Cities.

Persons Signed In To Testify But Not Testifying (Community Development, Housing & Tribal Affairs): None.

Persons Signed In To Testify But Not Testifying (Capital Budget): None.