

HOUSE BILL REPORT

HB 2285

As Reported By House Committee On:
Economic Development, Housing & Trade

Title: An act relating to the department of community, trade, and economic development.

Brief Description: Creating the department of community development and the department of trade and economic development.

Sponsors: Representatives Van Luven, Veloria, Ballasiotes, Morris, Kenney, H. Sommers, Radcliff, Dunn, D. Schmidt, McDonald, O'Brien, Skinner, Hankins, Campbell and Esser; by request of Governor Locke.

Brief History:

Committee Activity:

Economic Development, Housing & Trade: 4/20/99 [DPS].

Brief Summary of Substitute Bill

- Renames the Department of Community, Trade, and Economic Development (DCTED) the Department of Community Development (DCD) and creates the Department of Trade and Economic Development (DTED) on October 1, 1999.
- Creates an Advisory Committee to assist the director of DCTED in the development of a plan to transfer responsibilities and services to DTED by September 1, 1999. Governor must approve final transfer plan.
- Revises appropriate statutory references to DCTED for programs, boards, or commissions to either DCD or DTED, or both DCD and DTED.
- Authorizes the designation of an additional three community empowerment zones by the newly created DTED.

HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT, HOUSING & TRADE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 12 members: Representatives Van Loven, Republican Co-Chair; Veloria, Democratic Co-Chair; Dunn, Republican Vice Chair; Eickmeyer, Democratic Vice Chair; Ballasiotes; Gombosky; Miloscia; Morris; Radcliff; Skinner; D. Sommers and Wolfe.

Staff: Kenny Pittman (786-7392).

Background:

The Department of Community, Trade, and Economic Development was created by merging the Department of Community Development and Department of Trade and Economic Development in 1993. The Department of Community, Trade, and Economic Development is responsible for assisting in community and economic development in the state; providing technical and financial assistance to local governments, businesses, and community-based organizations; soliciting private and federal grants for economic and community development programs; and conducting the necessary research and analysis to support economic and community development efforts.

The key service areas of the department are: (i) local government assistance that support development through growth management and infrastructure financing, and archaeology and historic preservation; (ii) economic development that includes tourism promotion, film and video, business assistance, and rural development; (iii) community services that support local efforts to develop self-reliant individuals and families through prevention, intervention, technical assistance and advocacy programs; (iv) housing and housing-related services that include emergency shelter assistance, manufacturing housing, and the housing trust fund; (v) international trade assistance that includes export/import development; and (vi) energy policy.

The Community Empowerment Zone Program was created in 1993 to encourage targeted public and private investment in designated areas of communities. The Department of Community, Trade, and Economic Development was authorized to designate up to six areas for participation in the program by March 1, 1994. Only five cities submitted applications to have geographic areas of their jurisdictions designated as a community empowerment zones: Seattle, Tacoma, Bremerton, Yakima and White Center in King County.

Eligibility as a designated Community Empowerment Zone is limited to areas that: (i) are designated by the local legislative authority to receive federal, state, and local assistance designed to increase economic activity in the area; (ii) have at least 51 percent of the households with incomes at or below 80 percent of the county median household income, adjusted for household size; (iii) have an average unemployment rate that is 20 percent higher than the average unemployment rate of the county; and (iv) have an approved five-year plan that describes a strategy to meet the housing, infrastructure,

economic development, social service, and other public facilities needs of the geographic area.

Currently, incentives available to businesses that locate in a community empowerment zone are: (i) a sales and use tax exemption on the construction of buildings and structures; (ii) a business and occupation tax credit for job creation by manufacturing and research and development businesses; and (iii) a business and occupation tax credit for job creation by businesses that provide international services.

Summary of Substitute Bill:

Effective October 1, 1999, the Department of Community, Trade, and Economic Development (DCTED) is renamed the Department of Community Development (DCD) and the Department of Trade and Economic Development (DTED) is created.

On or before September 1, 1999, the director of DCTED must submit a plan to the Governor for transferring DCTED's trade, business development, tourism, energy policy, and economic development responsibilities and authorities to the newly created DTED. The plan must include strategies for transferring responsibilities and authorities to the DTED; division of staff and equipment; and recommendations for statutory changes for a more appropriate division of responsibilities and authorities.

An advisory committee is created to assist the director of the DCTED in the development of the plan to transfer the responsibilities between the two departments. The advisory committee consists of: (1) Two members of the House of Representatives, one from each political caucus appointed by the Speaker; (2) two members of the Senate, one from each political caucus appointed by the President of the Senate; (3) director of the Office of Financial Management or the director's designee; and (4) representatives of groups that use services and programs of the department.

The Office of Financial Management, in consultation with the DCTED, must advise the director and the advisory committee on matters relating to the department's budget and program functions. The director must implement the plan as approved by the Governor.

Department of Community Development

The Department of Community Development (DCD) is responsible for promoting community development within the state by assisting communities to increase their economic vitality, while maintaining a healthy environment. The DCD's community development efforts include (i) growth management planning services; (ii) affordable housing and housing-related services; (iii) public infrastructure financing; (iv) downtown and community revitalization services; (v) community services and advocacy for low-income persons; (vi) early childhood education and assistance; (vii) and public safety and victims rights advocacy.

Department of Trade and Economic Development

The Department of Trade and Economic Development (DTED) is responsible for working with local communities and businesses to respond to economic problems and challenges. The DTED's trade and economic development efforts include: (i) promoting partnerships between the public/private sectors and between governmental officials to encourage appropriate economic growth; (ii) promoting local economic development by supporting local strategic development plans; (iii) assisting businesses to start up, maintain, or expand their operations; (iv) promotion of international trade and trade opportunities of Washington businesses and services; and (v) energy policy development and evaluation.

Miscellaneous Provisions

The Department of Community, Trade, and Economic Development, later the Department of Trade and Economic Development, may designate up to an additional three areas as community empowerment zones. At least one of the community empowerment zones must be designated in a county that is: (i) located east of the crest of the Cascade mountains; and (ii) classified as a standard metropolitan statistical area, as determined by the Office of Financial Management.

Where appropriate statutory references to DCTED are changed to either the DCD or DTED. Statutory references to several boards and programs are revised to include both the DCD and DTED.

Substitute Bill Compared to Original Bill: The substitute bill allows the Department of Community, Trade, and Economic Development to designate up to an additional three areas as community empowerment zones. At least one of the community empowerment zones must be designated in a county that is: (i) located east of the crest of the Cascade mountains; and (ii) classified as a standard metropolitan statistical area, as determined by the Office of Financial Management.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Substitute Bill: Sections 1 and 2 take effect immediately. Sections 101 through 129, 201 through 227, 301 through 349, 401 through 411 and Section 501 take effect October 1, 1999.

Testimony For: The merger of the two agencies defeated the focus of the state's community and economic development efforts. The current agency is required to

administer too large a mix of programs and services. Creating the two separate agencies will allow each one to define and focus on their separate missions and address the challenges of the 21 century. The management of the new agencies is vital to their success. We need to develop a strategic direction on where the state want to go in community and economic development. We also need adequate resources to accomplish the goals and a clear measurement of agency performance. The agency representative to Washington State Forest Practices Board should be from the Department of Community Development. The bill currently has the representative coming from the Department of Trade and Economic Development.

Testimony Against: None.

Testified: Representative Van Luven, prime sponsor; Marty Brown, Governor's Office; Stan Finkelstein, Association of Washington Cities; Judith Frolich, Association of Counties; Dennis Matson, Washington Economic Development Council; Bill Lotto, Washington Economic Development Council; Majkeu Ryherd-Keira, Washington State CASA, WA State CAPS, and WA Low-Income Housing Congress; and Pat Jones, Washington Public Ports Association.

(In support with concerns) Josh Baldi, Washington Environmental Council; Bev Hermanson, Washington Federation of State Employees; and Tim Boyd, Washington Forest Protection Association.