

# SENATE BILL REPORT

## SHB 1260

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As of February 18, 2014

**Title:** An act relating to public facilities' grants and loans.

**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).

**Brief History:** Passed House: 3/07/13, 63-34; 2/03/14, 56-39.

**Committee Activity:** Trade & Economic Development: 3/21/13.

Agriculture, Water & Rural Economic Development: 2/25/14.

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### SENATE COMMITTEE ON TRADE & ECONOMIC DEVELOPMENT

**Staff:** Jeff Olsen (786-7428)

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### SENATE COMMITTEE ON AGRICULTURE, WATER & RURAL ECONOMIC DEVELOPMENT

**Staff:** Diane Smith (786-7410)

**Background:** The Community Economic Revitalization Board (CERB) is governed by a 20-member statutory state board that is charged with funding public infrastructure improvements that encourage new business development and expansion in areas seeking economic growth. CERB receives administrative support from the Department of Commerce (COM).

CERB's focus is on creating and retaining jobs in partnership with local governments. Through CERB, local governments can apply for low-interest loans, and occasionally grants to help finance public facility projects. Counties, cities, towns, port districts, federally recognized Indian tribes, special purpose districts, municipal corporations, and quasi-municipal corporations with economic development purposes are eligible to apply. Public facilities eligible for CERB financing include the following: bridges; roads; domestic and industrial water; earth stabilization; sanitary sewer; storm sewer; railroad; telecommunications; electricity; transportation; natural gas; buildings or structures; and port facilities.

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*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. CERB must 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 Bill:** The Legislature establishes general objectives for CERB and intends to authorize flexibility for CERB to help fund planning, predevelopment, and construction costs of infrastructure, facilities, and sites that foster economic vitality and diversification. Geographic requirements for the six business members of CERB are modified.

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

For the Committed Private Sector Partner Construction program, funding may only be provided when (1) a specific private sector development or expansion is ready to occur, contingent on the public facility improvement; and (2) the median hourly wage of the resulting private sector jobs exceeds the countywide median hourly wage for private sector jobs. For the Prospective Development Construction program, funding may only be provided when (1) the project demonstrates feasibility using standard economic principles; and (2) the median hourly wage of the resulting private sector jobs exceeds the countywide median hourly wage for private sector jobs.

CERB must give priority to funding eligible Committed Private Sector Partner Construction projects. For Committed Private Sector Partner Construction and Prospective Development Construction projects, CERB must prioritize funding using criteria that include the following: the number of jobs created; 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; whether health insurance with an option for dependents is offered; the leveraging of non-state funds; whether it increases capacity in a manner that supports infill and redevelopment of existing urban or industrial areas; and expected job creation and wage benefits for the amount of money provided.

Certain existing criteria required for the awarding of loans and grants, and certain existing requirements for prioritizing proposed projects are removed.

In general, loan repayment must begin within one year of final contract execution. CERB is permitted to authorize borrowers to defer initiating loan repayments for up to three years when the need is justified in writing, and under exceptional circumstances for up to five years.

CERB is given the authority to 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.

CERB must establish and maintain collaborative relationships with economic development stakeholders, and provide advice to the Governor and Legislature on matters related to economic development.

Language is reorganized throughout the bill for clarity.

**Appropriation:** None.

**Fiscal Note:** Available.

**Committee/Commission/Task Force Created:** No.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.

**Staff Summary of Public Testimony (Trade & Economic Development):**

Testimony From 2013 Regular Session.

PRO: This is intended to update the statute and give flexibility to the CERB board. The median wage provision was a concern in the House. It is difficult to fill board seats and meet the geographic requirements.

OTHER: The original bill was agency-sponsored legislation. The median wage criteria could be moved from a threshold criteria to a rating criteria. We could put a cap on the median wage. CERB should be allowed discretion to fund when criteria are not met. There is trouble recruiting with the specific geographic criteria.

**Persons Testifying (Trade & Economic Development):**

Persons Testifying From 2013 Regular Session.

PRO: Representative Warnick, prime sponsor.

OTHER: Karen Larkin, DOC.