

# SENATE BILL REPORT

## SHB 1260

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As Reported by Senate Committee On:  
Trade & Economic Development  
Agriculture, Water & Rural Economic Development, February 25, 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 [DPA].

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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

**Majority Report:** Do pass as amended.

Signed by Senators Hatfield, Chair; Honeyford, Ranking Member; Brown, Eide, Hobbs and Schoesler.

**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

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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.

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 (Recommended Amendments):** The Legislature 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.

Broadband is added to the public facilities that qualify for CERB funding.

Geographic requirements for the six business members of CERB are modified.

CERB must balance the sustainability of the fund with the need for grants in managing the following programs: Committed Private Sector Partner Construction; Prospective Development Construction; planning; and any other program authorized by the Legislature.

Specific criteria required for the awarding of loans and grants and requirements for prioritizing proposed projects are removed. Provisions removed relate to the following:

- convincing evidence that a specific private development is ready and will occur only with the proposed public facility improvement;
- 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.

Instead, 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 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. CERB may provide up to 25 percent of funds as grants but must consider the sustainability of the fund.

CERB is given the authority to elect to reserve up to \$1 million of its biennial appropriation to use as a 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's authority to familiarize government officials and members of the public with the CERB program is expanded to require collaborative relationships with economic development stakeholders and to provide advice to the Governor and Legislature on matters related to economic development.

Language is reorganized throughout the bill for clarity.

**EFFECT OF CHANGES MADE BY AGRICULTURE, WATER & RURAL ECONOMIC DEVELOPMENT COMMITTEE (Recommended Amendments):** The striking amendment removes the following requirements: that projects exceed countywide median hourly wage for private sector jobs; that the board prioritize its awards based on whether the project offers health insurance for employees that includes an option for dependents; that the project's public facility investment will support infill in urban or industrial areas; that borrowers begin repaying the loan within one year of execution of the contract and the provisions for three and five-year deferments; and that the board manage the construction loan revolving account to ensure its sustainability. This last requirement is replaced by the requirement that the board balance the need for grants with the need to sustain the account.

Rather than endeavoring to ensure geographically equitable representation on the Board, the striking amendment requires the Board to have eastern and western Washington representation for both the small and large businesses.

**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 on Substitute House Bill (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.

**Staff Summary of Public Testimony on Substitute House Bill (Agriculture, Water & Rural Economic Development):** PRO: All testimony, including that indicating "other," is in favor of the striking amendment. The striking amendment is the best way to update the CERB process for new economic realities and create good paying jobs especially in rural Washington. Several tremendously successful economic development projects in rural counties would not be possible under the current requirement that the pay be a minimum of the median county wage. One must consider the fact that not only unemployment is high in the rural parts of rural counties but the educational attainment is also low among those unemployed. Studies verify that without a bachelor's degree, one cannot expect to earn the median wage. This one-size-fits-all model eliminates the possibility of providing good paying jobs for many of the people who live in rural areas. Passing the striking amendment is trusting the very competent Board to decide on a case-by-case basis whether county-median wages should be the one deciding criteria for considering a project.

**(Agriculture, Water & Rural Economic Development):** PRO: Representative Warnick, prime sponsor; Ginger Eagle, WA Public Ports Assn.; Jim Kuntz, Port of Walla Walla; Marc Thornsby, Port of Klickitat; Cathy Potter, Port of Royal Slope.

OTHER: Randy Hayden, Port of Pasco; Dawn Eychaner, COM, CERB Program Manager.