
ENGROSSED SUBSTITUTE HOUSE BILL 1341

State of Washington

52nd Legislature

1991 Regular Session

By House Committee on Trade & Economic Development (originally sponsored by Representatives Sheldon, Hargrove, Jones, Inslee, Riley, Rayburn, P. Johnson, Bowman, Haugen, Paris, Brumsickle, Wynne, Beck, Fuhrman, Ferguson, Basich, Morton, Padden, Roland, Heavey, H. Myers, Peery, Ebersole, May, Lisk, Zellinsky, Nealey, Edmondson, Cooper, Betrozoff, Miller, Mitchell, Jacobsen, R. King, Wineberry, Franklin and R. Johnson).

Read first time March 6, 1991.

1 AN ACT Relating to economic development; amending RCW 43.160.010,
2 43.160.020, and 43.160.080; adding new sections to chapter 43.160 RCW;
3 adding new sections to chapter 43.31 RCW; adding a new section to
4 chapter 43.06 RCW; creating new sections; and declaring an emergency.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

6 NEW SECTION. **Sec. 1.** FINDINGS AND INTENT. The legislature finds
7 that:

8 (1) The economic health and well-being of timber-dependent
9 communities is of substantial public concern. The significant
10 reduction in annual timber harvest levels likely will result in reduced
11 economic activity and persistent unemployment and underemployment over
12 time, which would be a serious threat to the safety, health, and
13 welfare of residents of the timber-dependent communities, decreasing
14 the value of private investments and jeopardizing the sources of public
15 revenue.

1 (2) The state is experiencing a dual economy, where growth is
2 occurring rapidly in some areas and is occurring slowly or not at all
3 in other areas. This uneven growth rate across the state is causing
4 some areas to suffer negative impacts from too much growth while
5 other areas experience difficulty in creating adequate economic
6 development. Inadequate economic development is a serious threat to
7 the public safety, health, and welfare of a community. The state has
8 an interest in encouraging growth state-wide, which reduces the
9 negative impacts of growth in rapidly growing areas and assists areas
10 of the state in need of economic development.

11 (3) Timber-dependent communities are most often located in areas
12 that are experiencing little or no economic growth, creating an even
13 greater risk to the health, safety, and welfare of these communities.
14 The ability to remedy problems caused by the substantial reduction in
15 harvest activity is beyond the power and control of the regulatory
16 process and influence of the state, and the ordinary operations of
17 private enterprise without additional governmental assistance are
18 insufficient to adequately remedy the resulting problems of poverty and
19 unemployment.

20 (4) The revitalization and diversification of the economies of
21 timber-dependent communities require the stimulation of private
22 investment, the development of new business ventures, the provision of
23 capital to ventures sponsored by local organizations and capable of
24 growth in the business markets, and assistance to viable, but
25 under-financed, small businesses in order to create and preserve jobs
26 that are sustainable in the local economy. Therefore, the legislature
27 declares there to be a substantial public purpose in providing capital
28 to promote economic development and job creation in distressed areas in
29 general and timber-dependent communities in particular. To accomplish
30 this purpose, it is the intent of the legislature to:

1 (a) Increase the public financing of infrastructure necessary for
2 economic development and make such financing more flexible;

3 (b) Increase and target the amount of public financing available to
4 businesses to better create or preserve jobs through formation or
5 expansion of viable enterprises;

6 (c) Provide technical and financial assistance to businesses to
7 increase the export of products from timber-dependent communities;

8 (d) Increase the resources available to associated development
9 organizations to provide economic and community development services in
10 timber-dependent communities and to provide resource and referral
11 services to the community regarding state and local economic and
12 community development services;

13 (e) Increase training and retraining services accessible to timber-
14 dependent communities; and

15 (f) Provide for coordination of noneconomic development services in
16 timber-dependent communities as economic development efforts will not
17 succeed unless social, housing, health, and other needs are addressed.

18 **Sec. 2.** RCW 43.160.010 and 1989 c 431 s 61 are each amended to
19 read as follows:

20 INFRASTRUCTURE FINANCING--CERB--INTENT. (1) The legislature finds
21 that it is the public policy of the state of Washington to direct
22 financial resources toward the fostering of economic development
23 through the stimulation of investment and job opportunities and the
24 retention of sustainable existing employment for the general welfare of
25 the inhabitants of the state. Reducing unemployment and reducing the
26 time citizens remain jobless is important for the economic welfare of
27 the state. A valuable means of fostering economic development is the
28 construction of public facilities which contribute to the stability and
29 growth of the state's economic base. Strengthening the economic base

1 through issuance of industrial development bonds, whether single or
2 umbrella, further serves to reduce unemployment. Consolidating issues
3 of industrial development bonds when feasible to reduce costs
4 additionally advances the state's purpose to improve economic vitality.
5 Expenditures made for these purposes as authorized in this chapter are
6 declared to be in the public interest, and constitute a proper use of
7 public funds. A community economic revitalization board is needed
8 which shall aid the development of economic opportunities. The general
9 objectives of the board should include:

10 (a) Strengthening the economies of areas of the state which have
11 experienced or are expected to experience chronically high unemployment
12 rates or below average growth in their economies;

13 (b) Encouraging the diversification of the economies of the state
14 and regions within the state in order to provide greater seasonal and
15 cyclical stability of income and employment;

16 (c) Encouraging wider access to financial resources for both large
17 and small industrial development projects;

18 (d) Encouraging new economic development or expansions to maximize
19 employment;

20 (e) Encouraging the retention of viable existing firms and
21 employment; and

22 (f) Providing incentives for expansion of employment opportunities
23 for groups of state residents that have been less successful relative
24 to other groups in efforts to gain permanent employment.

25 (2) The legislature also finds that the state's economic
26 development efforts can be enhanced by, in certain instances, providing
27 funds to improve state highways in the vicinity of new industries
28 considering locating in this state or existing industries that are
29 considering significant expansion.

1 (a) The legislature finds it desirable to provide a process whereby
2 the need for diverse public works improvements necessitated by planned
3 economic development can be addressed in a timely fashion and with
4 coordination among all responsible governmental entities.

5 (b) It is the intent of the legislature to create an economic
6 development account within the motor vehicle fund from which
7 expenditures can be made by the department of transportation for state
8 highway improvements necessitated by planned economic development. All
9 such improvements must first be approved by the state transportation
10 commission and the community economic revitalization board in
11 accordance with the procedures established by RCW 43.160.074 and
12 47.01.280. It is further the intent of the legislature that such
13 improvements not jeopardize any other planned highway construction
14 projects. The improvements are intended to be of limited size and
15 cost, and to include such items as additional turn lanes,
16 signalization, illumination, and safety improvements.

17 (3) The legislature also finds that the state's economic
18 development efforts can be enhanced by providing funds to improve
19 markets for those recyclable materials representing a large fraction of
20 the waste stream. The legislature finds that public facilities which
21 result in private construction of processing or remanufacturing
22 facilities for recyclable materials are eligible for consideration from
23 the board.

24 (4) The legislature finds that sharing economic growth state-wide
25 is important to the welfare of the state. Distressed areas and timber-
26 dependent communities do not share in the economic vitality of the
27 Puget Sound region. Infrastructure is one of several ingredients that
28 are critical for economic development. Distressed areas and timber-
29 dependent communities generally lack the infrastructure necessary to
30 diversify and revitalize their economies. It is, therefore, the intent

1 of the legislature to increase the availability of funds to help
2 provide infrastructure to distressed areas and timber-dependent
3 communities.

4 **Sec. 3.** RCW 43.160.020 and 1985 c 466 s 58 are each amended to
5 read as follows:

6 Unless the context clearly requires otherwise, the definitions in
7 this section apply throughout this chapter.

8 (1) "Board" means the community economic revitalization board.

9 (2) "Bond" means any bond, note, debenture, interim certificate, or
10 other evidence of financial indebtedness issued by the board pursuant
11 to this chapter.

12 (3) "Department" means the department of trade and economic
13 development or its successor with respect to the powers granted by this
14 chapter.

15 (4) "Financial institution" means any bank, savings and loan
16 association, credit union, development credit corporation, insurance
17 company, investment company, trust company, savings institution, or
18 other financial institution approved by the board and maintaining an
19 office in the state.

20 (5) "Industrial development facilities" means "industrial
21 development facilities" as defined in RCW 39.84.020.

22 (6) "Industrial development revenue bonds" means tax-exempt revenue
23 bonds used to fund industrial development facilities.

24 (7) "Local government" means any port district, county, city, or
25 town.

26 (8) "Sponsor" means any of the following entities which customarily
27 provide service or otherwise aid in industrial or other financing and
28 are approved as a sponsor by the board: A bank, trust company, savings
29 bank, investment bank, national banking association, savings and loan

1 association, building and loan association, credit union, insurance
2 company, or any other financial institution, governmental agency, or
3 holding company of any entity specified in this subsection.

4 (9) "Umbrella bonds" means industrial development revenue bonds
5 from which the proceeds are loaned, transferred, or otherwise made
6 available to two or more users under this chapter.

7 (10) "User" means one or more persons acting as lessee, purchaser,
8 mortgagor, or borrower under a financing document and receiving or
9 applying to receive revenues from bonds issued under this chapter.

10 (11) Until July 1, 1995, "timber-dependent community" means a
11 county, city, or town located in a county meeting two of the following
12 three criteria for the most recent year such data is available: (a) A
13 lumber and wood products employment location quotient at or above the
14 state average, (b) a direct lumber and wood products job loss of one
15 hundred or more, or (c) an annual unemployment rate twenty percent or
16 more above the state average.

17 (12) Until July 1, 1995, "small scale tourism project" means a
18 project that where added to the current facilities in the area attracts
19 additional visitors for overnight stays and will be used primarily by
20 nonresidents of the immediate area. A small scale tourism project may
21 be a new project or an expansion or refurbishment of an existing
22 facility.

23 NEW SECTION. Sec. 4. A new section is added to chapter 43.160 RCW
24 to read as follows:

25 (1) The economic development account is created within the public
26 facilities construction loan revolving fund under RCW 43.160.080.
27 Moneys in the account may be spent only after appropriation.
28 Expenditures from the account may be used only for the purposes of RCW

1 43.160.010(4) and this section. The account is subject to allotment
2 procedures under chapter 43.88 RCW.

3 (2) Applications under this section for assistance from the
4 economic development account are subject to all of the applicable
5 criteria set forth under this chapter, as well as procedures and
6 criteria established by the board, except as otherwise provided.

7 (3) Eligible applicants under this section are limited to political
8 subdivisions of the state in timber-dependent communities that
9 demonstrate, to the satisfaction of the board, the local economy's
10 dependence on the forest products industry.

11 (4) Applicants must demonstrate that their request is part of an
12 economic development plan consistent with applicable state planning
13 requirements. Industrial projects must be approved by the local
14 government and the associate development organization. Applicants must
15 demonstrate that small scale tourism projects have been approved by the
16 local government and are part of a regional tourism plan approved by
17 the local and regional tourism organizations.

18 (5) Publicly owned projects may be financed under this section upon
19 proof by the applicant that the public project is a necessary component
20 of, or constitutes in whole, a small scale tourism project.

21 (6) Applications must demonstrate local match and participation.
22 The amount of local match shall not be less than twenty percent of the
23 total dollar amount sought in the application. Such match may include:
24 Land donation, other public or private funds or both, or other means of
25 local commitment to the project.

26 (7) Board financing for feasibility studies shall not exceed
27 twenty-five thousand dollars per study. Board funds for feasibility
28 studies may be provided as a grant and require a dollar for dollar
29 match with up to one-half in-kind match allowed.

1 (8) Board financing for small scale tourism projects shall not
2 exceed two hundred fifty thousand dollars. Other public facility
3 projects under this section shall not exceed five hundred thousand
4 dollars. Loans with flexible terms and conditions to meet the needs of
5 the applicants shall be provided. Grants may also be authorized, but
6 only when, and to the extent that, a loan is not reasonably possible,
7 given the limited resources of the political subdivision.

8 (9) The board shall develop guidelines for allowable local match
9 and feasibility studies.

10 (10) Applications under this section need not demonstrate evidence
11 that specific private development or expansion is ready to occur or
12 will occur if funds are provided.

13 (11) This section shall expire July 1, 1995.

14 NEW SECTION. **Sec. 5.** A new section is added to chapter 43.160 RCW
15 to read as follows:

16 (1) For the 1991-93 biennium, half of all funds appropriated to the
17 department for purposes of this chapter shall be used for section 4 of
18 this act.

19 (2) This section shall expire on July 1, 1993.

20 NEW SECTION. **Sec. 6.** A new section is added to chapter 43.160 RCW
21 to read as follows:

22 The board shall establish guidelines for making grants and loans
23 under section 4 of this act. The guidelines shall include:

24 (1) A process to equitably compare and evaluate applications from
25 competing communities.

26 (2) Criteria to ensure that approved projects will have a high
27 probability of success and are likely to provide long-term economic
28 benefits to the community. The board shall give priority to

1 applications from communities with high unemployment rates or high
2 rates of timber unemployment. The criteria shall include: (a) A
3 minimum amount of local participation, determined by the board per
4 application, to verify community support for the project; (b) an
5 analysis that establishes the project is feasible using standard
6 economic principles; and (c) an explanation from the applicant
7 regarding how the project is consistent with the communities' economic
8 strategy and goals.

9 (3) A method of evaluating the impact of the loans or grants on the
10 economy of the community and whether the loans or grants achieved their
11 purpose. The board shall provide to the legislative fiscal committees
12 a report by January 15, 1995, and January 15, 1996, identifying by
13 county the economic growth and/or economic diversification attributable
14 to the loan and grant awards authorized by this section and section 4
15 of this act and RCW 43.160.076.

16 This section shall expire July 1, 1995.

17 **Sec. 7.** RCW 43.160.080 and 1987 c 422 s 6 are each amended to read
18 as follows:

19 INFRASTRUCTURE--CERB--REVOLVING LOAN FUND REPAYMENTS. There shall
20 be a fund known as the public facilities construction loan revolving
21 fund, which shall consist of all moneys collected under this chapter,
22 except moneys of the board collected in connection with the issuance of
23 industrial development revenue bonds, and any moneys appropriated to it
24 by law: PROVIDED, That seventy-five percent of all principal and
25 interest payments on loans made with the proceeds deposited in the fund
26 under section 901, chapter 57, Laws of 1983 1st ex. sess. shall be
27 deposited in the general fund as reimbursement for debt service
28 payments on the bonds authorized in RCW 43.83.184. The state treasurer
29 shall be custodian of the revolving fund. Disbursements from the

1 revolving fund shall be on authorization of the board. In order to
2 maintain an effective expenditure and revenue control, the public
3 facilities construction loan revolving fund shall be subject in all
4 respects to chapter 43.88 RCW(~~(, but no appropriation is required to~~
5 ~~permit expenditures and payment of obligations from the fund)~~).

6 Moneys in this fund not needed to meet the current expenses and
7 obligations of the board shall be invested in the manner authorized for
8 moneys in revolving funds. Any interest earned shall be deposited in
9 this fund and shall be used for the purposes specified in this chapter.
10 The state treasurer shall render reports to the board advising of the
11 status of any funds invested, the market value of the assets as of the
12 date the statement is rendered, and the income received from the
13 investments during the period covered by the report.

14 NEW SECTION. **Sec. 8.** A new section is added to chapter 43.31 RCW
15 to read as follows:

16 INCREASING EXPORTS FROM TIMBER-DEPENDENT COMMUNITIES. (1)
17 Marketing is a vital element in expanding the economies of timber-
18 dependent communities. The export of products produced in timber-
19 dependent areas contributes substantial economic benefits to these
20 communities, including an increase in jobs and an increase in tax
21 revenues to the state and local governments.

22 (2)(a) Subject to funding for this subsection, the department shall
23 contract with the small business export finance assistance center,
24 created in chapter 43.210 RCW, to assist businesses in timber-dependent
25 communities obtain financing for the export of their products. The
26 department shall assist the small business export finance assistance
27 center to ensure the services available under this subsection are
28 understood and accessible in timber-dependent communities.

1 (b) Subject to funding for the necessary reserve funds, the
2 Washington economic development finance authority, created in chapter
3 43.163 RCW, shall provide financing for export transactions where the
4 product being exported is produced in timber-dependent communities.

5 (3) The department may make rules that are necessary to carry out
6 this section and to coordinate the services described in this section
7 and to prioritize the services based on greatest negative impact from
8 the harvest reductions.

9 (4) For purposes of this section, the definition of "timber-
10 dependent community" is the same as RCW 43.160.020.

11 NEW SECTION. **Sec. 9.** A new section is added to chapter 43.31 RCW
12 to read as follows:

13 (1) The Washington wood products competitiveness commission is
14 created. The commission shall have nine members as follows:

15 (a) One representative each from the departments of trade and
16 economic development, community development, natural resources, and the
17 employment security department appointed by the directors or the
18 commissioners of the respective departments;

19 (b) One representative of the office of financial management, who
20 shall chair the commission, appointed by the governor;

21 (c) One representative of the Washington hardwoods commission
22 appointed by the hardwoods commission;

23 (d) One member representing primary wood products manufacturers
24 appointed by the director of the department; and

25 (e) Two members representing secondary wood products manufacturers
26 appointed by the director of the department.

27 (2) Since the best hope for quickly replacing some of the jobs
28 being lost in primary manufacturing may be in value-added and secondary
29 manufacturing, the legislature intends that the commission design a

1 set of programs to stimulate the growth of value-added and secondary
2 wood products manufacturing in Washington and increase the involvement
3 of the wood products industry in value-added products and business
4 networks.

5 (3) The legislature also intends that after two years, the
6 commission become industry supported and industry operated.

7 (4) Members not representing state government shall serve a term of
8 three years, with the initial members serving staggered terms of one
9 year, two years, and three years as determined by the director of the
10 department.

11 (5) Travel expenses may be reimbursed under RCW 43.03.050 and
12 43.03.060.

13 (6) Staff support for the commission shall be provided by the
14 department.

15 NEW SECTION. **Sec. 10.** A new section is added to chapter 43.31 RCW
16 to read as follows:

17 The Washington wood products competitiveness commission shall:

18 (1) Gather, analyze, and disseminate information about the
19 competitiveness of the wood products industry in this state and make
20 that information available to the wood products industry, state
21 government, and the general public.

22 (2) Encourage cooperation among wood products firms through the
23 formation of business networks to develop solutions to technology and
24 product development problems, acquire and disseminate marketing
25 information, promote and market wood products of this state, and
26 address other common industry problems.

27 (3) Assist the department in the department's efforts to increase
28 the competitiveness of the industry and increase the production of

1 value-added products by contracting for feasibility studies and product
2 research and development. The contracts under this subsection shall:

3 (a) Be of general benefit to the industry rather than intended to
4 benefit a specific firm; and

5 (b) Be for such activities as identifying options, assessing
6 markets, evaluating business and financial risks, addressing production
7 issues, and assessing new technologies.

8 (4) Work with state agencies, wood products firms, wood products
9 industry associations, and institutions of higher education in this
10 state to assure close coordination of all efforts to improve the
11 competitiveness of the wood products industry in this state.

12 (5) Report periodically to the governor, the legislature, the wood
13 products industry, and the general public on the competitive position
14 of the wood products industry in this state, and make such
15 recommendations as the commission determines appropriate for public or
16 private actions needed to improve the competitiveness of the wood
17 products industry in this state. The commission shall recommend, by
18 January 1, 1992, how to change this public commission into a commodity-
19 style industry commission, and recommend a fair method of assessment
20 for the industry to fund the commission.

21 NEW SECTION. **Sec. 11.** A new section is added to chapter 43.31 RCW
22 to read as follows:

23 The Washington wood products competitiveness commission may:

24 (1) Engage, with private sector funds only, in informational and
25 promotional activities to increase the awareness and recognition of the
26 value of wood products in this state and of the contribution of wood
27 products to the economy of this state.

28 (2) Contract for research activities to develop and apply new
29 technologies for wood products manufacture related to the commission's

1 and the department's efforts to make value-added wood products
2 industries more competitive. Any public funds used for this subsection
3 shall be matched at least dollar for dollar by private funds. In
4 carrying out research for development and application of new
5 manufacture technologies, the commission may promote activities
6 including, but not limited to:

7 (a) Improved utilization of wood wastes;

8 (b) Improved utilization of lower grade and underutilized lumber;

9 (c) Alternative uses for underutilized species of softwood and
10 hardwood;

11 (d) New and improved utilization of select and clear grade lumber
12 to produce high quality and high value-added wood products in
13 Washington;

14 (e) Identifying unique properties and characteristics of wood
15 species of this state and determining products particularly suited to
16 those properties and characteristics; or

17 (f) Providing access to testing facilities and services for wood
18 products firms in this state.

19 NEW SECTION. **Sec. 12.** A new section is added to chapter 43.06 RCW
20 to read as follows:

21 COORDINATION OF STATE AND LOCAL SERVICES. (1) The governor, or the
22 governor's designee, shall coordinate state noneconomic development
23 related assistance provided to timber-dependent communities to ensure
24 state services are delivered effectively and efficiently and
25 coordinated locally with minimal duplication and maximum local access.

26 (2) Associate development organizations located in timber-dependent
27 communities shall assist the governor in coordinating the delivery of
28 state economic development related services locally. The associate
29 development organization, as the primary local coordinating

1 organization for state and local economic development services, shall
2 provide resource and referral services to ensure state and local
3 economic development services are delivered effectively and efficiently
4 with minimal duplication and maximum local access.

5 NEW SECTION. **Sec. 13.** TITLE. This act may be referred to as "the
6 omnibus timber community assistance act."

7 NEW SECTION. **Sec. 14.** SECTION HEADINGS ARE NOT LAW. Section
8 headings as used in this act do not constitute any part of the law.

9 NEW SECTION. **Sec. 15.** If any provision of this act or its
10 application to any person or circumstance is held invalid, the
11 remainder of the act or the application of the provision to other
12 persons or circumstances is not affected.

13 NEW SECTION. **Sec. 16.** This act is necessary for the immediate
14 preservation of the public peace, health, or safety, or support of the
15 state government and its existing public institutions, and shall take
16 effect immediately.