

1 **SHB 1493** - H COMM AMD **FAILED 03-15-93**

2 By Committee on Appropriations

3 Strike everything after the enacting clause and insert the
4 following:

5 **Sec. 1.** RCW 43.168.020 and 1991 c 314 s 19 are each amended
6 to read as follows:

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

9 (1) "Committee" means the Washington state development loan
10 fund committee.

11 (2) "Department" means the department of community
12 development.

13 (3) "Director" means the director of the department of
14 community development.

15 (4) "Distressed area" means: (a) A county which has an
16 unemployment rate which is twenty percent above the state average
17 for the immediately previous three years; (b) a metropolitan
18 statistical area, as defined by the office of federal statistical
19 policy and standards, United States department of commerce, in
20 which the average level of unemployment for the calendar year
21 immediately preceding the year in which an application is filed
22 under this chapter exceeds the average state unemployment for such
23 calendar year by twenty percent. Applications under this
24 subsection (4)(b) shall be filed by April 30, 1989; (c) an area
25 within a county, which area: (i) Is composed of contiguous census
26 tracts; (ii) has a minimum population of five thousand persons;
27 (iii) has at least seventy percent of its families and unrelated
28 individuals with incomes below eighty percent of the county's
29 median income for families and unrelated individuals; and (iv) has
30 an unemployment rate which is at least forty percent higher than

1 the county's unemployment rate; or (d) a county designated as a
2 timber impact area under RCW 43.31.601 if an application is filed
3 by July 1, 1993. For purposes of this definition, "families and
4 unrelated individuals" has the same meaning that is ascribed to
5 that term by the federal department of housing and urban
6 development in its regulations authorizing action grants for
7 economic development and neighborhood revitalization projects.

8 (5) "Fund" means the Washington state development loan fund.

9 (6) "Local development organization" means a nonprofit
10 organization which is organized to operate within an area,
11 demonstrates a commitment to a long-standing effort for an economic
12 development program, and makes a demonstrable effort to assist in
13 the employment of unemployed or underemployed residents in an area.

14 (7) "Project" means the establishment of a new or expanded
15 business in an area which when completed will provide employment
16 opportunities. "Project" also means the retention of an existing
17 business in an area which when completed will provide employment
18 opportunities.

19 (8) "Minority" means persons of color, including African-
20 Americans, Hispanic/Latino Americans, Native Americans, and
21 Asian/Pacific Islander Americans.

22 (9) "Minority or women-owned business" means any resident
23 minority business enterprise or women's business enterprise, as
24 determined by the committee to be consistent with the requirements
25 of chapter 39.19 RCW and subsection (8) of this section.

26 **Sec. 2.** RCW 43.168.030 and 1985 c 164 s 3 are each amended to
27 read as follows:

28 (1) The Washington state development loan fund committee is
29 established as an entity within the department of community
30 development. The committee shall have (~~seven~~) eight members.
31 The director shall appoint the members, subject to the following
32 requirements: (a) Three members shall be experienced in investment

1 finance and have skills in providing capital to new and innovative
2 businesses, in starting and operating businesses and providing
3 professional services to small or expanding businesses; (b) two
4 members shall be residents of distressed areas; (c) one member
5 shall represent organized labor; ~~((and))~~ (d) one member shall
6 represent a minority business; and (e) one member shall represent
7 a women-owned business. Careful consideration in making these
8 appointments shall be taken to ensure that the various geographic
9 regions of the state are represented, that members will be
10 available for meetings on a regular basis, and will have a
11 commitment to working with local governments and local development
12 organizations.

13 (2) Each member appointed by the director shall serve a term
14 of three years, except that of the members first appointed, two
15 shall serve two-year terms and two shall serve one-year terms. A
16 person appointed to fill a vacancy of a member shall be appointed
17 in a like manner and shall serve for only the unexpired term. A
18 member is eligible for reappointment. A member may be removed by
19 the director only for cause.

20 (3) The director shall designate a member of the board as its
21 chairperson. The committee may elect such other officers as it
22 deems appropriate. Five ~~((Four))~~ members of the committee
23 constitute a quorum and five ~~((four))~~ affirmative votes are
24 necessary for the transaction of business or the exercise of any
25 power or function of the committee.

26 (4) The members of the committee shall serve without
27 compensation, but are entitled to reimbursement for actual and
28 necessary expenses incurred in the performance of official duties
29 in accordance with RCW 43.03.050 and 43.03.060.

30 (5) Members shall not be liable to the state, to the fund, or
31 to any other person as a result of their activities, whether
32 ministerial or discretionary, as members except for wilful
33 dishonesty or intentional violations of law. The department may

1 purchase liability insurance for members and may indemnify these
2 persons against the claims of others.

3 **Sec. 3.** RCW 43.168.050 and 1990 1st ex.s. c 17 s 74 are each
4 amended to read as follows:

5 (1) The committee may only approve an application providing a
6 loan for a project which the committee finds:

7 (a) Will result in the creation of employment opportunities,
8 ~~((or))~~ the maintenance of threatened employment, or development or
9 expansion of business ownership by minorities and women;

10 (b) Has been approved by the director as conforming to federal
11 rules and regulations governing the spending of federal community
12 development block grant funds;

13 (c) Will be of public benefit and for a public purpose, and
14 that the benefits, including increased or maintained employment,
15 improved standard of living, ~~((and))~~ the employment of
16 disadvantaged workers, and development or expansion of business
17 ownership by minorities and women, will primarily accrue to
18 residents of the area;

19 (d) Will probably be successful;

20 (e) Would probably not be completed without the loan because
21 other capital or financing at feasible terms is unavailable or the
22 return on investment is inadequate.

23 (2) The committee shall, subject to federal block grant
24 criteria, give higher priority to economic development projects
25 that contain provisions for child care.

26 (3) The committee may not approve an application if it fails
27 to provide for adequate reporting or disclosure of financial data
28 to the committee. The committee may require an annual or other
29 periodic audit of the project books.

30 (4) The committee may require that the project be managed in
31 whole or in part by a local development organization and may
32 prescribe a management fee to be paid to such organization by the

1 recipient of the loan or grant.

2 (5) (a) Except as provided in (b) of this subsection, the
3 committee shall not approve any application which would result in
4 a loan or grant in excess of three hundred fifty thousand dollars.

5 (b) The committee may approve an application which results in
6 a loan or grant of up to seven hundred thousand dollars if the
7 application has been approved by the director.

8 (6) The committee shall fix the terms and rates pertaining to
9 its loans.

10 (7) Should there be more demand for loans than funds available
11 for lending, the committee shall provide loans for those projects
12 which will lead to the greatest amount of employment or benefit to
13 a community. In determining the "greatest amount of employment or
14 benefit" the committee shall also consider the employment which
15 would be saved by its loan and the benefit relative to the
16 community, not just the total number of new jobs or jobs saved.

17 (8) To the extent permitted under federal law the committee
18 shall require applicants to provide for the transfer of all
19 payments of principal and interest on loans to the Washington state
20 development loan fund created under this chapter. Under
21 circumstances where the federal law does not permit the committee
22 to require such transfer, the committee shall give priority to
23 applications where the applicants on their own volition make
24 commitments to provide for the transfer.

25 (9) The committee shall not approve any application to finance
26 or help finance a shopping mall.

27 (10) For loans not made to minority and women-owned
28 businesses, the committee shall make at least eighty percent of the
29 appropriated funds available to projects located in distressed
30 areas, and may make up to twenty percent available to projects
31 located in areas not designated as distressed. For loans not made
32 to minority and women-owned businesses, the committee shall not
33 make funds available to projects located in areas not designated as

1 distressed if the fund's net worth is less than seven million one
2 hundred thousand dollars.

3 (11) If an objection is raised to a project on the basis of
4 unfair business competition, the committee shall evaluate the
5 potential impact of a project on similar businesses located in the
6 local market area. A grant may be denied by the committee if a
7 project is not likely to result in a net increase in employment
8 within a local market area.

9 (12) For loans to minority and women-owned businesses, the
10 committee may consider non-traditional credit standards to offset
11 past discrimination that has precluded full participation of
12 minority or women-owned businesses in the economy. For applicants
13 with "high potential" who do not meet the credit criteria, the
14 committee shall consider developing alternative borrowing methods.
15 For applicants denied loans due to credit problems, the committee
16 shall provide financial counseling within available resources and
17 referrals to credit rehabilitation services.

18 NEW SECTION. Sec. 4. A new section is added to chapter
19 43.168 RCW to read as follows:

20 Subject to the restrictions contained in this chapter, the
21 committee is authorized to approve applications of minority and
22 women-owned businesses for loans or loan guarantees from the fund.
23 Applications approved by the committee under this chapter shall
24 conform to applicable federal requirements. The committee shall
25 prioritize available funds for loan guarantees rather than loans
26 when possible. The committee may enter into agreements with other
27 public or private lending institutions to develop a joint loan
28 guarantee program for minority and women-owned businesses. If such
29 a program is developed, the committee may provide funds, in
30 conjunction with the other organizations, to operate the program.
31 This section does not preclude the committee from making individual
32 loan guarantees.

1 **Sec. 5.** RCW 43.168.070 and 1987 c 461 s 5 are each amended to
2 read as follows:

3 The committee may receive and approve applications on a
4 monthly basis but shall receive and approve applications on at
5 least a quarterly basis for each fiscal year. The committee shall
6 make every effort to simplify the loan process for applicants.
7 Department staff shall process and assist in the preparation of
8 applications. Each application shall show in detail the nature of
9 the project, the types and numbers of jobs to be created, wages to
10 be paid to new employees, and methods to hire unemployed persons
11 from the area. Each application shall contain a credit analysis of
12 the business to receive the loan. The chairperson of the committee
13 may convene the committee on short notice to respond to
14 applications of a serious or immediate nature.

15 **Sec. 6.** RCW 43.168.100 and 1986 c 204 s 1 are each amended to
16 read as follows:

17 The committee may make grants of state funds to local
18 governments which qualify as "entitlement communities" under the
19 federal law authorizing community development block grants. These
20 grants may only be made on the condition that the entitlement
21 community provide the committee with assurances that it will: (1)
22 Spend the grant moneys for purposes and in a manner which satisfies
23 state constitutional requirements; (2) spend the grant moneys for
24 purposes and in a manner which would satisfy federal requirements;
25 and (3) spend at least the same (~~double the~~) amount of the grant
26 for loans to businesses from the federal funds received by the
27 entitlement community.

EFFECT: Expands the development loan fund committee to include a representative of women-owned businesses. Expands the development loan fund to include consideration for loans to minority and women-owned businesses. For loans to minority and women-owned businesses, allows the committee to use non-traditional credit standards, develop alternative borrowing methods, and provide financial counseling and referrals for credit rehabilitation services. Authorizes the committee to enter into agreements with other public and private lending institutions to develop a loan guarantee program for minority and women-owned businesses. Directs the committee to simplify the loan process. Specifies that entitlement communities spend at least the same amount as (instead of double the amount of) the state grant for loans to businesses.