

HOUSE BILL REPORT

HB 2737

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

Title: An act relating to the Washington Economic Development Finance Authority.

Brief Description: Modifying provisions regarding the Washington Economic Development Finance Authority.

Sponsors: Representatives Wineberry, Sheldon, Schoesler, Shin and Springer; by request of Department of Trade and Economic Development.

Brief History:

Reported by House Committee on:
Trade, Economic Development & Housing, February 3, 1994,
DP;
Capital Budget, February 7, 1994, DPS.

HOUSE COMMITTEE ON TRADE, ECONOMIC DEVELOPMENT & HOUSING

Majority Report: Do pass. Signed by 13 members:
Representatives Wineberry, Chair; Shin, Vice Chair;
Schoesler, Ranking Minority Member; Chandler, Assistant
Ranking Minority Member; Backlund; Campbell; Conway; Morris;
Quall; Sheldon; Springer; Valle and Wood.

Staff: Bill Lynch (786-7092).

Background: The Legislature created the Washington Economic Development Finance Authority (WEDFA) to help meet the capital needs of small and medium-sized businesses. WEDFA may issue nonrecourse revenue bonds to carry out its programs, which may be issued on either a tax-exempt or taxable basis. These bonds are not obligations of the state of Washington. WEDFA is also prohibited from lending the state's credit.

WEDFA consists of 18 members appointed by the Governor. The membership includes the state treasurer, the director of the Department of Trade and Economic Development, the director of the Department of Community Development, the director of the Department of Agriculture, a member from each of the four major legislative caucuses, and 10 public members. The members serve without compensation.

WEDFA is required to develop a plan that outlines its economic development goals and define the strategies to achieve these goals. The plan must be updated at least once every two years.

WEDFA is authorized to: (1) develop programs to fund export transactions for small businesses that cannot get commercial loans from private lenders at competitive rates and terms; (2) provide advance or up-front financing for economic development to farmers based on their subsidy from the federal government for not growing crops; (3) pool loans guaranteed by the federal government; and (4) access federal development finance programs.

Summary of Bill: The Washington Economic Development Finance Authority is authorized to develop and conduct a program or programs to provide nonrecourse revenue bond financing for the project costs of economic development facilities.

"Economic development facilities" means manufacturing, processing, research, production, assembly, tooling, warehousing, retail, commercial, lodging, tourism, transportation, parking, public broadcasting, pollution control, solid waste disposal, energy generation, energy conversation, energy transmission, sports facilities, and industrial parks.

"Project costs" that can be financed by nonrecourse revenue bonds include: acquisition, lease, construction, reconstruction, remodeling, refurbishing, rehabilitation, extension, and enlargement of land, rights to land building structures, docks, wharves, fixtures, machinery, equipment, excavations, paving, landscaping, utilities, approaches, roadways and parking, handling and storage areas, and similar ancillary facilities, and any other real or personal property included in an economic development facility.

Other project costs that can be financed by nonrecourse revenue bonds include: architectural, engineering, consulting, accounting, and legal costs directly related to the development, financing, acquisition, lease, construction, extension, and enlargement of an economic development facility, including costs of studies assessing the feasibility of an economic development facility.

In addition, nonrecourse revenue bonds may be used to finance start-up costs, working capital, capitalized research and development costs, after the estimated completion of construction, and capitalized debt service or repair and replacement or other appropriate reserves, finance costs - including the costs of credit enhancement

and discounts, the costs of issuing revenue bonds, the costs incurred in carrying out any financing document, the refunding of any outstanding obligations incurred for any project costs, and other costs incidental to any project costs.

Fiscal Note: Not requested.

Effective Date: The bill contains an emergency clause and takes effect immediately.

Testimony For: This will help businesses who need capital. Few venture capital companies operate in the state. New businesses will be attracted to Washington. The state is not at risk with the issuance of nonrecourse bonds.

Testimony Against: None.

Witnesses: Mike Fitzgerald, Department of Trade and Economic Development (pro); Bill Glassford, Washington Economic Development Finance Authority (pro); and Robert Honeycutt, Avtek Corporation (pro).

HOUSE COMMITTEE ON CAPITAL BUDGET

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 11 members: Representatives Wang, Chair; Ogden, Vice Chair; Sehlin, Ranking Minority Member; McMorris, Assistant Ranking Minority Member; Eide; R. Fisher; Heavey; Jones; Moak; Romero and B. Thomas.

Minority Report: Do not pass. Signed by 1 member: Representative Brough.

Staff: Bill Robinson (786-7140).

Summary of Recommendation of Committee on Capital Budget Compared to Recommendation of Committee on Trade, Economic Development & Housing: The three existing economic assistance programs for export transactions, farm loans, and small business loan pooling are repealed. The new program for economic development facilities is changed in the following ways: (1) the type of eligible facility is narrowed by eliminating warehousing, retail, commercial, lodging, tourism, transportation, parking, public broadcasting, pollution control and solid waste disposal facilities; (2) the program is designated a pilot program and limited to five projects; (3) the authority is to adopt strict standards for financing to borrowers; (4) the authority is to study the possibility of merging the

Washington Economic Finance Development Authority (WEFDA) with the Community Economic Revitalization Board (CERB); (5) the Department of Trade and Economic Development (DTED) is to annually report on its activities to the fiscal committees of the Legislature; and (6) the authority to issue bonds for economic development facilities terminates on July 1, 1999.

Fiscal Note: Not requested.

Effective Date: The bill contains an emergency clause and takes effect immediately.

Testimony For: Competition for new business is growing and the state needs financial incentives to attract new businesses. Although the three existing programs have not been used, this new program already has two specific projects under consideration. This program will assist small business by providing access to bond insurance, long term fixed rate debt, and faster and less expensive credit markets.

Testimony Against: None.

Witnesses: Mike Fitzgerald and Jonathan Hayes, Department of Trade and Economic Development; Daniel Gottlieb, Attorney at Riddell, Williams, Bullitt & Walkinshaw; and Bud Krogh, Avtec Corporation.