

HOUSE BILL REPORT

ESHB 2737

As Passed House
February 15, 1994

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

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

Sponsors: By House Committee on Capital Budget (originally sponsored by 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;
Passed House, February 15, 1994, 96-2.

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).

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).

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 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; and (3) pool loans guaranteed by the federal government.

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.

Summary of Bill: The Washington Economic Development Finance Authority is authorized to develop and conduct a pilot program or programs to provide nonrecourse revenue bond financing for the project costs of not more than five economic development facilities until July 1, 1999. The authority for WEDFA to conduct access to capital programs for exporters, farmers, and through pooled loan agreements is repealed.

"Economic development facilities" means manufacturing, processing, research, production, assembly, tooling, 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, buildings, 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, capitalized interest during construction and 18 months after the estimated completion of construction, and capitalized debt service or repair and replacement or other appropriate reserves. Finance costs are also considered to be project 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.

WEDFA is directed to study the possibility of merging the powers and duties of WEDFA with the Community Economic Revitalization Board (CERB). WEDFA must consult with CERB and the Department of Community, Trade, and Economic Development in conducting this study. The results and recommendations of the study must be reported to the Legislature by January 15, 1995.

WEDFA must make annual reports until 1999, and must send these reports to the appropriate fiscal committees of the Legislature.

Fiscal Note: Not requested.

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

Testimony For: (Trade, Economic Development & Housing) 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.

(Capital Budget) 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: (Trade, Economic Development & Housing) None.

(Capital Budget) None.

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

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