

HOUSE BILL REPORT

ESHB 2737

As Passed Legislature

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;
Amended by Senate;
House concurred;
Passed Legislature.

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 program or programs to provide nonrecourse revenue bond financing for the project costs of not more than five economic development activities per year. WEDFA may not issue bonds after June 30, 2000.

"Economic development activities" means manufacturing, processing, research, production, assembly, tooling, warehousing, pollution control, energy generation, energy conservation, 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 activity.

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 activity, including costs of studies assessing the feasibility of an economic development activity.

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 authorized to conduct a program to stimulate the development of new products by giving financial assistance to persons for the development of inventions and products where assistance is not otherwise available. WEDFA would condition this assistance upon contractual assurances that the benefits of increased employment and tax revenues would remain in the state. WEDFA may also take license in patents and copyright and establish charges for their use when it provides assistance. In reviewing applications for assistance, priority will be given to businesses that are resource-based or advanced technology.

WEDFA must make annual reports until 1999, and must send these reports to the appropriate standing 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.