

HOUSE BILL REPORT

HB 1497

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

Title: An act relating to enhancing economic vitality.

Brief Description: Enhancing economic vitality.

Sponsors: Representatives Kessler, Mulliken, Grant, Hatfield, O'Brien, Conway, Kenney, Tokuda and Wolfe; by request of Governor Locke.

Brief History:

Committee Activity:

Economic Development, Housing & Trade: 2/18/99, 3/2/99 [DPS].

Brief Summary of Substitute Bill

- Increases the Washington State Housing Finance Commission's statutory debt limit from \$2 billion to \$3 billion.
- Increases the amount available for investment in financial institutions through the linked deposit lending program from \$50 million to \$75 million.
- Allows the Governor to designate a county as distressed if it has lost more than 5,000 jobs in the last 7-year period due to military base restructuring.
- Requires the Department of Transportation to consider the impact of tourism on the local economy when looking at reducing or curtailing ferry service to a community.
- Establishes the Washington Jobs Initiative program within the Department of Community, Trade, and Economic Development.

HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT, HOUSING & TRADE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 7 members: Representatives Van Luven, Republican Co-Chair; Veloria, Democratic Co-Chair; Eickmeyer, Democratic Vice Chair; Gombosky; Miloscia; Morris and Wolfe.

Minority Report: Do not pass. Signed by 4 members: Representatives Dunn, Republican Vice Chair; Ballasiotes; Skinner and D. Sommers.

Staff: Kenny Pittman (786-7392).

Background:

The Department of Community, Trade, and Economic Development (DCTED) is responsible for assisting in community and economic development in the state; through the provision of technical and financial assistance to local governments, businesses, and community-based organizations; soliciting private and federal grants for economic and community development programs; and conducting the necessary research and analysis to support economic and community development efforts at the state and local level.

The Washington State Housing Finance Commission was created in 1983. The goal of the commission is to stimulate the production of affordable single multifamily, and special needs housing through the (1) issuance of tax-exempt and taxable nonrecourse revenue bonds; (2) administration of the federal low-income housing tax credit program; and (3) administration of other programs authorized under federal and state law. Under current state law, the commission's total amount of outstanding debt limit may not exceed \$2 billion at any time.

The Linked Deposit Lending program was established in 1993, to provide a financial incentive for financial institutions to make loans to minority and women-owned businesses. The State Treasurer is authorized to use up to \$50 million of surplus treasury investment funds to invest in financial institutions that provide loans to minority and women-owned businesses at interest rates that are 200 basis points below market rates. The program is scheduled to terminate June 30, 2000.

The state has created various spending or tax incentive programs designed to encourage job creation, job retention or job expansion in economically distressed areas of the state. The type of incentives available to these areas include business and occupation (B&O) tax credits for job creation, sales and use tax exemptions on the construction of buildings or structures and direct financial assistance to businesses located in economically distressed areas. An economically distressed area is characterized by high levels of unemployment or low median household incomes.

Summary of Substitute Bill:

Washington State Housing Finance Commission. The statutory outstanding debt limit of the Washington State Housing Finance Commission is raised from \$2 billion to \$3 billion.

Linked Deposit Lending Program. The state's Linked Deposit Lending program, administered by the State Treasurer's Office, is revised to increase the amount of surplus treasury investment funds that can be used for the program from \$50 million to \$75 million. The funds are invested in financial institutions that provide loans to minority and women-owned businesses at interest rates that are 200 basis points below market rates.

Technical revisions are made to simplify the administration of the time certificate deposit program. The June 30, 2000, program sunset and termination date is removed.

Governor Designation of Distressed Area. The Governor is authorized to designate a county that has lost more than 5,000 jobs over the previous 7-year period as a distressed area. The designation allows the county to access (i) direct business financing, using federal funds, through the Development Loan Fund; (ii) business and occupation (B&O) tax credits for businesses that create manufacturing or research and development jobs within the county; and (iii) sales and use tax exemption on the construction of buildings or structures by businesses engaged in manufacturing or research and development activities within the county.

State Ferry System. The Department of Transportation is required to consider the impact of tourism on the local economy as part of its evaluation process when looking at reducing or curtailing ferry service within a community.

Washington Jobs Initiative. The Washington Jobs Initiative program is established in the Department of Community, Trade, and Economic Development (DCTED). The DCTED may provide grants to local governments to create programs designed to help workers achieve livable wage jobs, and promote retention and upward mobility for low-income job seekers.

Specifically, the grants are to be used to develop strategies that (i) assist unemployed and underemployed residents obtain livable wage jobs; (ii) help low-income residents access job opportunities with businesses that benefit local economic development efforts by establishing first-source and voluntary hiring agreements with those businesses; (iii) create long-term, intensive pathways to employment for residents that are harder to serve due to chronic unemployment or lack of work experience; and (iv) coordinate the services of the public and private sector and community organizations in providing outreach, recruitment, and job readiness services.

The DCTED must establish rules to carry out the program, including performance evaluation standards and guidelines regarding the amount of funds to be awarded local governments.

Substitute Bill Compared to Original Bill: The substitute bill deleted provisions that (i) revised the Community Economic Revitalization Board to allow funding of telecommunications infrastructure and certain pre-construction costs in distressed counties; (ii) transferred of the Jobs Skill program from the Work Force Training Board to State Board for Community and Technical Colleges; (iii) created the congestion relief account and designated transportation projects approved by the voters in Referendum 49; and (iv) created the "one-stop clearinghouse" designed to provide technical assistance to growers and nonprofit organizations develop housing for farm workers.

The substitute bill added provisions that (i) increases the amount available through the linked deposit lending program from \$50 million to \$75 million, makes technical revisions to simplify the administration of the time certificate of deposit program, and removes the sunset review of the program; (ii) allows the Governor to designate a county as distressed if it experiences a loss of more than 5,000 jobs over a 7-year period due to military base restructuring; (iii) requires the Department of Transportation to consider the impact of tourism on the local economy when looking at reducing or ending ferry service in a community; (iv) establishes the Washington Jobs Initiative program within the Department of Community, Trade, and Economic Development.

Appropriation: None.

Fiscal Note: Requested on March 2, 1999.

Effective Date of Substitute Bill: Ninety days after adjournment of session in which bill is passed.

Testimony For: (Original Bill) Washington's rural areas are still facing severe problems. This bill is part of a comprehensive approach to revitalize the state's rural areas. The financing of infrastructure, including telecommunication improvements, is vital to economic development in rural areas. The transportation funding component will allow for financing of needed improvements in the urban areas of the state. The real key is the flexibility of the tools that a community can use to address its economic development needs.

Testimony Against: None.

Testified: Representative Kessler, prime sponsor; Representative Mulliken, sponsor; Marty Brown and Rick Mattoon, Governor's Office; Tim Douglas, Department of Community, Trade, and Economic Development; Fred Kiga, Department of Revenue;

Bob Cook, Washington State Housing Finance Commission; Mike Ryherd, city of Anacortes; Scott Taylor, Washington Public Ports Association; Terry Brewer, Grant County Economic Development Council; and Karla Kay Fullerton, Washington Cattlemen's Association.