

HOUSE BILL REPORT

HB 3125

As Reported by House Committee On:
Community & Economic Development & Trade
Capital Budget

Title: An act relating to creating the building communities fund program.

Brief Description: Creating the building communities fund program.

Sponsors: Representatives Kenney, Haler, Sullivan, Simpson, Barlow, Quall, Kagi, Flannigan, Cody, Nelson, Ormsby, Darneille and Hasegawa.

Brief History:

Committee Activity:

Community & Economic Development & Trade: 1/28/08, 1/31/08 [DPS];
Capital Budget: 2/6/08, 2/12/08 [DP2S(w/o sub CEDT)].

Brief Summary of Second Substitute Bill

- Creates the Building Communities Fund Program in the Department of Community, Trade and Economic Development to make grants for acquiring, constructing, or rehabilitating nonresidential community services facilities.

HOUSE COMMITTEE ON COMMUNITY & ECONOMIC DEVELOPMENT & TRADE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 7 members: Representatives Kenney, Chair; Pettigrew, Vice Chair; Chase, Darneille, Haler, Rolfes and Sullivan.

Minority Report: Do not pass. Signed by 2 members: Representatives Bailey, Ranking Minority Member; McDonald, Assistant Ranking Minority Member.

Staff: Meg Van Schoorl (786-7105).

Background:

Community Services Facilities Program

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

The Department of Community, Trade and Economic Development (DCTED) administers the Community Services Facilities Program under Chapter 43.63A.125. The Community Services Facilities Program offers grants on a competitive basis to non-profit organizations and other entities as determined by the DCTED for the acquisition, construction, or rehabilitation of facilities used for the delivery of nonresidential social services. The DCTED evaluates and ranks applications in consultation with a citizen advisory committee using objective criteria. Applicants must demonstrate that the assistance will increase the efficiency or quality of social services. Grant assistance cannot exceed 25 percent of the total project cost. The non-state portion of the total project cost may include cash, the value of real property when acquired solely for the project purpose, and in-kind contributions. The DCTED must submit a prioritized list of recommended projects to the Governor and Legislature in its biennial capital budget submission. The total state cost cannot exceed \$10 million. The DCTED cannot sign financially obligate funds until the Legislature has approved a specific list of projects.

Public Infrastructure Study Committee

A proviso in the 2007-09 Capital Budget established the Study Committee on Public Infrastructure Programs and Funding Structures (Committee). The joint House-Senate bipartisan Committee was charged with making "recommendations for a comprehensive funding structure and a systematic approach to support the integration, consolidation, and standardization of processes and procedures for community and economic development infrastructure programs." Among the recommendations contained in its January 1, 2008 Final Report, the Committee proposed that the existing Community Services Facilities Program (Program) within the DCTED be expanded beyond nonresidential social services to also cover nonresidential community services including multipurpose community and cultural centers and that the Program prioritize projects in distressed communities. The Committee recommended that "distressed communities" be defined on the basis of school district free and reduced meals; county unemployment 20 percent above the state average for the previous three years; and/or the Small Business Administration's HUB Zones Criteria. While the focus would continue to be on capital projects, the Committee recommended that if "cash" funds were appropriated, up to \$5 million may be used for technical assistance and planning.

Distressed Areas

In 2007, 16 of Washington's 39 counties were designated as economically distressed because their unemployment rate was 20 percent or more above the statewide average over the previous three years. Six urban jurisdictions have been designated as having Community Empowerment Zones in which at least 51 percent of the households have incomes at or below 80 percent of the county's median income, and an average unemployment rate 20 percent above the statewide average. In addition to those officially designated, there are a number of census tracts in other communities that are characterized by high unemployment rates, low-income populations, deteriorating infrastructure and a lack of facilities for community services, workforce training, and education.

Summary of Substitute Bill:

Findings and Intent

There are distressed rural and urban communities in our state where investments in community services initiatives could create vibrant local business districts and prosperous neighborhoods. Nonprofit organizations provide a variety of community services to Washington citizens, and in some cases, it is appropriate for the state to assist in development of community service facilities. Providing these capital investments is critical for the economic health of local distressed communities, helps build strong relationships with the state, and expands life opportunities for under-served low-income populations. Creating the Building Communities Fund could enhance services by nonprofit organizations, local governments, and federally recognized tribes.

Building Communities Fund Program and Program Account Established

Expanding upon the existing Community Services Facilities program, the DCTED must establish the Building Communities Fund Program (BCF Program) through which capital grants may be provided to nonprofit organizations, local governments, or federally recognized Indian tribes. In addition, technical assistance grants may be provided to emerging or expanding nonprofit organizations.

Distressed communities are defined as:

- a county that has an unemployment rate that is 20 percent above the statewide average for the immediately previous three years;
- an area within a county that the DCTED determines to be a low-income community, using as guidance designations under the Community Development Financial Institutions Fund's New Markets Tax Credit Program; or
- a school district in which at least 50 percent of local elementary students receive free and reduced-price meals.

The BCF Program grants may be used for acquiring, constructing, or rehabilitating facilities used to deliver nonresidential community services, including social service centers, multipurpose community centers, and cultural centers. These facilities must be located in a distressed community or have as a primary mission to serve low-income persons. They must meet at least one of the following objectives:

- provide social services;
- encourage small business start-ups or sustainability, expand employment opportunities for community residents, or increase the employability of community residents;
- offer educational and recreational opportunities separate from the public education system; or
- serve another high priority nonresidential community service need.

The Building Communities Fund Account (Account) is created in the State Treasury. Moneys may be spent only after appropriation. Account expenditures may be used only for specified capital and technical assistance grants.

Competitive Process

The DCTED must establish a competitive process to solicit, evaluate, and prioritize applications. The DCTED must evaluate and rank applications in consultation with a citizen advisory committee using objective criteria.

Applicants must demonstrate that the proposed project:

- meets at least one of the four objectives of the BCF Program;
- will increase range, efficiency, or quality of services;
- will be located in a distressed community or have as a primary mission to serve low-income persons;
- reflects a long-term shared vision for the community's development;
- requires state funding to accomplish a discrete project phase;
- is ready to proceed and will make timely use of funds;
- is sponsored by entities with organizational and financial capacity to fulfill the terms of the grant agreement and maintain the project in the future;
- fills an unmet need;
- will achieve its stated objectives; and
- is a community priority as shown through tangible commitments of existing or future assets to the project by residents, leaders, businesses, and partners.

The DCTED may not set monetary limits to funding requests, require cash or in-kind match, or require that state funds be the last to be spent on a project.

The DCTED must submit an annual ranked list of recommended projects to the Governor and Legislature in its capital budget requests beginning with the 2009-11 biennium and thereafter. The total amount of recommended state capital funding must not exceed \$14 million or 40 percent of the funds appropriated to the Building Communities Fund. If cash funds are appropriated, up to \$3 million may be used for technical assistance grants to nonprofit organizations.

The DCTED must also submit to the Legislature an unranked list of the remaining eligible project applications. The appropriate fiscal committees must use the list to determine, at the Legislature's sole discretion, any additional Building Communities Fund projects, up to \$21 million, or 60 percent of the total funds appropriated. In addition, the DCTED must submit to the Legislature all application materials it received and working papers developed.

Contracts and Accountability

After the Legislature has approved a specific list of projects in law, the DCTED must develop and manage contracts with grantees, monitor expenditures and performance, and exercise other due diligence. The DCTED must develop accountability and reporting standards for grant recipients. At a minimum, the DCTED must use the statutory objectives and criteria to evaluate grantee progress. The DCTED must submit annual reports, beginning January 1, 2011, to the Legislature containing specified information and data.

Substitute Bill Compared to Original Bill:

The substitute bill removes all appropriations from the bill for the 2007-09 biennium. It clarifies that the ranked list of projects must be submitted annually to the Governor and the Legislature by the DCTED in its capital budget requests beginning with the 2009-11 biennium and thereafter. Because grants are not awarded and contracts let until after the 2009 legislative session, the initial annual status report required from the DCTED is deferred until January 1, 2011. The substitute bill clarifies that to be eligible for a Building Communities Fund grant, a proposed facility can either be located within a distressed community or have as a primary mission to serve low-income persons. The substitute bill reduces the potential funding total for technical assistance grants from \$5 million to \$3 million. Only projects that are eligible for Building Communities Fund grants should be included by the DCTED on its unranked list to the Legislature.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Substitute Bill: The bill takes effect 90 days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony:

(In support of proposed substitute bill) Communities all over the state have unique and pressing needs for social services. For some it's a food bank; for others, it's a job training center, a clinic, or a safe gathering place for teens. Sometimes these services are combined into one facility. Communities share the goal of improving the lives of under-served and low-income residents. Part of the purpose of increasing this capital grants program is also to reduce legislator request projects. Counties provide human services, such as mental health and chemical counseling, so we like the expanded criteria. We also like the rural-urban balance and appreciate the amendment that removes the appropriations, especially the diversion of funds from the Public Works Assistance Account. There is no single formula for community betterment. We like the program's concept, the broadening of eligible applicants and the combination of capital and operating support. Cities and counties usually use technical assistance grants to ensure that capital projects are ready to go.

(With concerns on proposed substitute bill) We do not quarrel with the bill's intent and we appreciate the more formal program structure. However, the traditional Community Services Facilities Program has worked well and we do not want to see it weakened. We are still trying to understand what the bill does and how it may affect long-standing customers of the Community Services Facilities Program, such as the YMCAs, Boy and Girl Scouts, and other nonprofit social service agencies. The distressed communities definition may leave out organizations that serve disadvantaged populations but are physically located outside a distressed community. We like the fact that the appropriation from the Public Works Assistance Account is removed, but even the proposed substitute bill does leave open the possibility of funding the BCF Program in the future, at least partially, through the Public Works Assistance Account.

(Opposed) None.

Persons Testifying: (In support of proposed substitute bill) Representative Kenney, prime sponsor; Julie Murray, Washington Association of Counties; Lincoln Ferris, Coalition for Investing in Washington Jobs/Washington Association for Small Business Incubators; Jorge Madrazo, SEAMAR Community Health Centers; Randall Lewis, City of Tacoma; and Colleen Hall Barta, Washington Association of Small Business Incubators/William Factory Incubator.

(With concerns on proposed substitute bill) Amy Bell, YMCAs of Washington Council of Youth Agencies; Seth Dawson, Washington State Association for Community Action; Rick Slunaker, Associated General Contractors; and Ashley Probart, Association of Washington Cities.

Persons Signed In To Testify But Not Testifying: None.

HOUSE COMMITTEE ON CAPITAL BUDGET

Majority Report: The second substitute bill be substituted therefor and the second substitute bill do pass and do not pass the substitute bill by Committee on Community & Economic Development & Trade. Signed by 14 members: Representatives Fromhold, Chair; Ormsby, Vice Chair; Schual-Berke, Vice Chair; Appleton, Blake, Chase, Dunshee, Eickmeyer, Flannigan, Hasegawa, Kelley, Pedersen, Sells and Upthegrove.

Minority Report: Do not pass. Signed by 8 members: Representatives McDonald, Ranking Minority Member; Newhouse, Assistant Ranking Minority Member; Hankins, McCune, Orcutt, Pearson, Skinner and Smith.

Staff: Nona Snell (786-7153).

Summary of Recommendation of Committee On Capital Budget Compared to Recommendation of Committee On Community & Economic Development & Trade:

The second substitute bill removes local governments and federally-recognized Indian tribes from eligible organizations so that the Building Communities Fund Grant Program is only for nonprofit organizations. The definition of "local government" is removed, and the definition of "technical assistance" is clarified to mean professional services provided under contract to nonprofit organizations for feasibility studies, planning and project management related to acquiring, constructing, or rehabilitating nonresidential community services facilities. Reference to "cultural centers" is removed, and community services includes social service centers and multi-purpose community centers, including those serving a distinct or ethnic population. One of the evaluation criteria, serving a high priority need for nonresidential community services not addressed under the other three objectives, is removed. Tangible commitments of assets by government partners is one means of showing that a project is a community priority, and government can be a partner in projects, but only a nonprofit can be the grantee. The Department of Community, Trade and Economic Development (DCTED) is no longer prohibited from requiring a match; applicants are required to provide a non-state

match that can include cash, real property, and in-kind contributions. The required match must not exceed 25 percent of the total project, and the DCTED can determine the exact percentage based on the project and the applicant's relevant assets. The references to \$14 million for the ranked list and \$21 million for the unranked list are removed. The accountability section of the bill replaces "project milestone completed" with "project status," and the number of low-income people served by each grantee is added to the data required in the annual report.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Second Substitute Bill: The bill takes effect 90 days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony:

(In support) Communities need social services. Sometimes these services are combined into one facility, and communities share the goal of improving the lives of under-served and low-income residents. The criteria of the existing Community Services Facilities Program needs to be expanded because counties provide human services, such as mental health and chemical counseling. Communities all over the state have unique and pressing needs for social services. For some it's a food bank; for others, it's a job training center, a clinic, or a safe gathering place for teens. Sometimes these services are combined into one facility. Communities share the goal of improving the lives of under-served and low-income residents. Part of the purpose of increasing this capital grants program is also to reduce legislator requested projects.

(With concerns) The traditional Community Services Facilities Program has worked well and community social service providers do not want to see it weakened. The distressed communities definition may leave out organizations that serve disadvantaged populations but are physically located outside a distressed community. The bill's intent is good and we appreciate the more formal program structure.

(Opposed) None.

Persons Testifying: (In support) Representative Kenney, prime sponsor.

(With concerns) Seth Dawson, Washington State Association for Community Action; Amy Bell, YMCAs of Washington; and Laurie Lippold, Children's Home Society.

Persons Signed In To Testify But Not Testifying: None.