

# SENATE BILL REPORT

## SB 6616

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As Reported By Senate Committee On:  
Economic Development, Trade & Management, February 06, 2008

**Title:** An act relating to encouraging private investment in port terminal facilities with tax incentives to local governments.

**Brief Description:** Encouraging private investment in port terminal facilities by providing tax incentives to local governments.

**Sponsors:** Senators Brandland, Kastama, Zarelli, Prentice, Shin, Hobbs, Carrell, Kilmer, Jacobsen, Roach, Regala, Haugen, Hewitt and Rasmussen.

**Brief History:**

**Committee Activity:** Economic Development, Trade & Management: 1/30/08, 2/06/08 [DPS-WM].  
Ways & Means: 2/12/08.

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### SENATE COMMITTEE ON ECONOMIC DEVELOPMENT, TRADE & MANAGEMENT

**Majority Report:** That Substitute Senate Bill No. 6616 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Kastama, Chair; Kilmer, Vice Chair; Zarelli, Ranking Minority Member; King.

**Staff:** Jack Brummel (786-7428)

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### SENATE COMMITTEE ON WAYS & MEANS

**Staff:** Dean Carlson (786-7305)

**Background:** Port terminal infrastructure has traditionally been financed through taxpayer funded public investments. Private investments in port terminals are becoming more common.

**Summary of Bill (Recommended Substitute):** State sales and use taxes on personal property, labor and services used in the construction of a qualified port terminal are to be distributed to the county or city within which the terminal is located. A qualified port terminal is one meant for maritime cargo that costs over \$150 million dollars to construct. The funds received by the county or city are to be used for public infrastructure for the terminal.

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*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.*

Prior to initiation of construction the city or county must apply to the Department of Community, Trade, and Economic Development (CTED), and submit an expenditure plan specifying how funds received are to be used. The plan is to be developed with local port authorities, tribal governments, or other local governments as well as the private entities involved with the terminal's development and operation. CTED will select only one project. CTED must determine that new jobs will be added and a collective bargaining agreement is in place. CTED is to evaluate and report on the project and the funding mechanism.

The Department of Revenue is to distribute funds annually, at no cost to the city or county receiving the funds, but not past the specified date of completion unless good cause is shown.

**EFFECT OF CHANGES MADE BY ECONOMIC DEVELOPMENT, TRADE & MANAGEMENT COMMITTEE (Recommended Substitute):** Language is added to set out the process necessary for distributions to be determined and made to qualifying cities or counties. CTED must determine that jobs will be added and a collective bargaining agreement is in place. Those benefitting from the distributions for public infrastructure must comply with the provisions prevailing wage law in constructing a qualified port terminal. Only one project may be selected. CTED is to evaluate and report on the project and the funding mechanism.

**Appropriation:** None.

**Fiscal Note:** Available on original bill. Requested on substitute bill on February 7, 2008.

**Committee/Commission/Task Force Created:** No.

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

**Staff Summary of Public Testimony on Original Bill (Economic Development, Trade & Management):** PRO: This bill would be a tool for local governments to use to help private marine projects proceed. The local governments would use the sales taxes to allow projects to move forward. Rails and roads are under pressure and this would be a tool to make sure infrastructure improvements are made, where private terminals are viable and don't need public support they are occurring. This allows more state support for marine terminal development.

CON: We shouldn't subsidize private enterprise with public money. Is the two year delay in compliance with growth management and State Environmental Policy Act? Private ports have been used to undermine wages and rights.

OTHER: There should be consideration for prevailing wage. To the extent this supports more public infrastructure to stay world class, public ports support it.

**Persons Testifying (Economic Development, Trade & Management):** PRO: Tim Schellberg, Derek Young, SSA Marine; Randy Lewis, City of Tacoma.

CON: Arthur West; Jeff Davis, Gordon Baxter, Michael Jagilski, Todd Iverson, International Longshore and Warehouse Union.

OTHER: Pat Jones, Washington Public Ports Association; David Johnson, Washington State Building Trades.

**Staff Summary of Public Testimony on Substitute Bill (Ways & Means):** PRO: This project will generate 1,000 construction jobs and 75 permanent jobs. We are willing to build the terminal. It will not be built without private money, and will not be built if we don't have a customer. This will allow Whatcom County to compete with Canada, and woo a customer from Prince Rupert. This is a \$250 million project, and will add millions to the state and local tax base.

**Persons Testifying (Ways & Means):** PRO: Tim Schellberg, Derek Young, SSA Marine.