
SUBSTITUTE HOUSE BILL 2325

State of Washington

60th Legislature

2007 Regular Session

By House Committee on Capital Budget (originally sponsored by Representatives Kenney, Pettigrew, Flannigan, Haler, Hankins, Skinner, Kirby, Blake, Ericks, Wood, Upthegrove, Ormsby, P. Sullivan, Barlow, Chase, Quall, Hasegawa, Conway, McIntire, Grant, Morris, McDermott, Sells, Kessler and Santos)

READ FIRST TIME 03/05/07.

1 AN ACT Relating to creating the community development fund; and
2 adding a new chapter to Title 43 RCW.

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

4 NEW SECTION. **Sec. 1.** INTENT. (1) The legislature recognizes that
5 although many regions of the state are thriving, there are still
6 distressed communities throughout rural and urban Washington where
7 capital investments in economic development and social services
8 initiatives could create vibrant local business districts and
9 prosperous neighborhoods. Providing these capital investments is
10 critical for the economic health of local distressed communities, helps
11 build strong relationships with the state, and expands life
12 opportunities for underserved, low-income populations.

13 (2) The legislature further recognizes that nonprofit corporations
14 fill an important public purpose in providing health, safety, and
15 welfare services to our state's residents. Acting through partnerships
16 with governmental entities, these private sector providers are able to
17 increase the amount and quality of services available to state
18 residents, conferring a valuable benefit on the public.

1 (3) The legislature therefore finds that programs by local
2 governments, federally recognized Indian tribes, and nonprofit
3 organizations to help distressed communities and underserved,
4 low-income populations could be enhanced by creating the community
5 development fund.

6 NEW SECTION. **Sec. 2.** DEFINITIONS. The definitions in this
7 section apply throughout this chapter unless the context clearly
8 requires otherwise.

9 (1) "Access to human services" means resources to help people in
10 distressed rural or urban communities access services including, but
11 not limited to, health care, state programs, education, and workforce
12 development and placement programs.

13 (2) "Capital project" means a project to construct either new
14 facilities or make significant, long-term renewal improvements to
15 existing facilities in order to achieve a program goal. "Capital
16 project" may include costs of site preparation; preconstruction
17 activities; acquisition, new construction, or improvement of facilities
18 and infrastructure; and purchase of built-in or fixed equipment.
19 "Capital project" does not include costs of land acquisition; planning
20 activities or feasibility studies; revolving loan funds; lease
21 payments; facility maintenance; vehicles; moveable or temporary
22 operating equipment; or consumable supplies, including software that is
23 not dedicated to the control of a specialized system.

24 (3) "Department" means the department of community, trade, and
25 economic development.

26 (4) "Director" means the director of the department of community,
27 trade, and economic development.

28 (5) "Distressed rural or urban area" means (a) a county that has an
29 unemployment rate which is twenty percent above the state average for
30 the immediately previous three years; or (b) an area within a county,
31 which area: (i) Is composed of contiguous census tracts; (ii) has at
32 least fifty-one percent of its households with incomes at or below
33 eighty percent of the county's median income, adjusted for household
34 size; and (iii) has an average unemployment rate for the area, for the
35 most recent twelve-month period for which data is available, at least
36 one hundred twenty percent of the average unemployment rate for the
37 county.

1 (6) "Infrastructure" means sewer, water, electrical systems, and
2 those roads or parking lots that are within the footprint of the
3 project and under site control of the applicant.

4 (7) "Local government" means cities, towns, counties, or those
5 special purpose districts whose statutory purposes are directly related
6 to the purposes of the community development fund.

7 (8) "Nonprofit organization" means an organization that is tax
8 exempt, or not required to apply for an exemption, under section
9 501(c)(3) or 501(c)(6) of the federal internal revenue code of 1986, as
10 amended.

11 NEW SECTION. **Sec. 3.** FUND CREATION AND PURPOSE. Communities,
12 whether they are formed by cultural identity, geography, or other
13 characteristics, can grow strong with a long-term vision and the
14 synergy of crucial investments. The community development fund is
15 created in the state treasury. Moneys in the fund may be spent only
16 after appropriation. The fund shall be used to make grants to local
17 governments, federally recognized Indian tribes, or nonprofit
18 organizations in distressed rural or urban communities for high
19 priority capital projects that further one or more of the following
20 community development objectives:

21 (1) Support local community development initiatives, particularly
22 those that (a) encourage small business start-ups or sustainability;
23 (b) expand employment opportunities for community residents; or (c)
24 increase the employability of community residents. Examples include
25 but are not limited to construction of a small business services
26 facility, site preparation to attract a new business to the area, or
27 renovation of an existing facility for small business counseling or
28 workforce education.

29 (2) Access to human services that enable community residents to
30 take advantage of the economic opportunities provided in subsection (1)
31 of this section. Examples include but are not limited to facilities
32 that offer child care, elder, or respite care; classrooms for financial
33 literacy workshops; food bank facilities; or infrastructure needed to
34 complete a low-income housing community.

35 (3) Educational and recreational opportunities separate from the
36 public education system. Examples include but are not limited to

1 facilities that offer academic tutoring, or athletics, arts, or
2 cultural programming targeted especially to youth.

3 NEW SECTION. **Sec. 4.** GRANT-MAKING PROCESS AND CRITERIA. The
4 department shall establish and conduct a competitive process to solicit
5 and evaluate applications proposing capital projects that correspond to
6 the community objectives contained in section 3 of this act.

7 (1) The department shall notify local governments, federally
8 recognized Indian tribes, and nonprofit organizations of the
9 availability of moneys through the community development fund.

10 (2) The department shall issue a request for proposals, and conduct
11 an application and evaluation process.

12 (a) The department shall first evaluate whether a proposed project
13 is located within a distressed rural or urban area as defined in
14 section 2 of this act. Projects that are located outside of such an
15 area shall be ineligible for further consideration. The department
16 shall next evaluate whether a proposed project is designed to meet one
17 of the three objectives contained in section 3 of this act. Projects
18 that do not meet any of these objectives shall be ineligible for
19 further consideration.

20 (b) The department shall evaluate the remaining eligible proposals
21 according to the following criteria. Successful applicants must
22 demonstrate:

23 (i) A long-term vision for the development of the community, shared
24 by local residents, businesses, leaders, and partners, that uses the
25 synergy of enhanced services, infrastructure, and community
26 improvements;

27 (ii) That the state's investment is critical in order for the
28 applicant to accomplish a discrete, usable phase of the project, that
29 the project is ready to proceed, and will make timely use of the funds;

30 (iii) That the applicant has the organizational and financial
31 capacity to fulfill the terms of the grant agreement and to maintain
32 the project into the future;

33 (iv) That there is an unmet need for economic development
34 opportunities, access to human services, and educational or
35 recreational opportunities separate from the public education system;

36 (v) That the project will achieve its stated goals including but
37 not limited to:

1 (A) Expanding local economic development opportunities, including
2 increasing the employability of community residents;

3 (B) Providing residents with needed human services; or

4 (C) Providing the workforce and youth with needed education,
5 instruction, or mentoring opportunities; and

6 (vi) That the project is a community priority as shown through
7 tangible commitments made by residents, businesses, local leaders, and
8 partners to developing and carrying out the project, or other evidence
9 of its importance.

10 (3) The department may not: (a) Set a monetary limit to funding
11 requests; (b) require applicants to contribute cash or an in-kind match
12 to the state funds requested; or (c) require that state funds be the
13 last to be spent on a project.

14 (4)(a) The department shall submit to the governor and the
15 legislature a ranked, prioritized list of recommended projects for
16 funding in the department's biennial capital budget request. The
17 projects included on the department's ranked list must have as their
18 main, but not necessarily sole, objective local community development
19 as described in section 3(1) of this act. The list must include a
20 description of each prioritized project, its total cost, the amount of
21 state funding requested, and the amount recommended for funding. The
22 total amount of recommended state funding for all projects on the
23 ranked, prioritized list shall not exceed ten million dollars and shall
24 include a minimum of five projects.

25 (b) The department shall also submit to the legislature an unranked
26 list of the remaining eligible projects for which applications were
27 received. The list must include a description of each project, its
28 total cost, and the amount of state funding requested. The appropriate
29 fiscal committees of the legislature shall use this list to determine,
30 in the legislature's sole discretion, any additional community
31 development fund projects that may receive funding in the biennial
32 capital budget. The total amount of state funding available for all
33 projects on the unranked list shall not exceed fifteen million dollars.

34 (c) In addition to the ranked and the unranked lists, the
35 department shall submit to the appropriate fiscal committees of the
36 legislature all application materials it received and all working
37 papers it developed during its evaluation process.

1 (5) After the legislature has approved a specific list of projects
2 in law, the department shall develop and manage appropriate contracts
3 with the selected applicants; monitor project expenditures and grantee
4 performance; report project and contract information; and exercise due
5 diligence and other contract management responsibilities as required.
6 The department may not sign agreements or otherwise financially
7 obligate funds under this section until the legislature has approved a
8 specific list of projects in law.

9 (6) In contracts for grants authorized under this section, the
10 department shall include provisions which require that capital
11 improvements must be held by the grantee for a specific period of time
12 appropriate to the amount of the grant and that facilities must be used
13 for the express purpose of the grant. If the grantee is found to be
14 out of compliance with provisions of the contract, the grantee shall
15 repay to the community development fund the principal amount of the
16 grant plus interest calculated at the rate of interest on state of
17 Washington general obligation bonds issued most closely to the date of
18 authorization of the grant.

19 (7) The grant-making process and criteria described in this section
20 shall be used by the department beginning in 2007-09 to solicit,
21 evaluate, and recommend projects for funding in the 2009-2011 fiscal
22 biennium, and each biennium thereafter.

23 NEW SECTION. **Sec. 5. ACCOUNTABILITY AND REPORTS.** (1) The
24 department shall develop accountability and reporting standards for
25 grant recipients.

26 (2) The department shall submit a report each biennium to the
27 appropriate committees of the legislature, including at a minimum:

28 (a) A list of projects funded during the current biennium,
29 including a description of each project, its total cost, the amount of
30 state funding awarded and expended to date, the project milestones
31 completed, and the extent to which the project has met its stated
32 goals;

33 (b) Recommendations, if any, for policy and programmatic changes to
34 the community development fund to better achieve program objectives;
35 and

36 (c) The ranked list of prioritized projects and amounts proposed
37 for funding in the subsequent biennium, and the unranked list of the

1 remaining projects for which applications were received, as submitted
2 in the department's biennial capital budget request as required in
3 section 4(4) of this act.

4 (3) The department shall submit its initial report by January 1,
5 2009.

6 NEW SECTION. **Sec. 6.** CAPTIONS. Captions used in this act are not
7 any part of the law.

8 NEW SECTION. **Sec. 7.** CODIFICATION. Sections 1 through 6 of this
9 act constitute a new chapter in Title 43 RCW.

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