
ENGROSSED SECOND SUBSTITUTE HOUSE BILL 3125

State of Washington

60th Legislature

2008 Regular Session

By House Capital Budget (originally sponsored by Representatives Kenney, Haler, Sullivan, Simpson, Barlow, Quall, Kagi, Flannigan, Cody, Nelson, Ormsby, Darneille, and Hasegawa)

READ FIRST TIME 02/12/08.

1 AN ACT Relating to creating the building communities fund program;
2 amending RCW 43.63A.125; adding new sections to chapter 43.63A RCW; and
3 creating new sections.

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

5 NEW SECTION. **Sec. 1.** FINDINGS AND INTENT. (1) The legislature
6 recognizes that although many regions of the state are thriving, there
7 are still distressed communities throughout rural and urban Washington
8 where capital investments in community services initiatives could
9 create vibrant local business districts and prosperous neighborhoods.

10 (2) The legislature also recognizes that nonprofit organizations
11 provide a variety of community services that serve the needs of the
12 citizens of Washington, including many services implemented under
13 contract with state agencies. The legislature also finds that the
14 efficiency and quality of these services may be enhanced by the
15 provision of safe, reliable, and sound facilities, and that, in certain
16 cases, it may be appropriate for the state to assist in the development
17 of these facilities.

18 (3) The legislature finds that providing these capital investments

1 is critical for the economic health of local distressed communities,
2 helps build strong relationships with the state, and expands life
3 opportunities for underserved, low-income populations.

4 NEW SECTION. **Sec. 2.** DEFINITIONS. The definitions in this
5 section apply throughout RCW 43.63A.125, this section, and sections 3
6 and 5 of this act unless the context clearly requires otherwise.

7 (1) "Department" means the department of community, trade, and
8 economic development.

9 (2) "Distressed community" means: (a) A county that has an
10 unemployment rate that is twenty percent above the state average for
11 the immediately previous three years; (b) an area within a county that
12 the department determines to be a low-income community, using as
13 guidance the low-income community designations under the community
14 development financial institutions fund's new markets tax credit
15 program of the United States department of the treasury; or (c) a
16 school district in which at least fifty percent of local elementary
17 students receive free and reduced-price meals.

18 (3) "Nonprofit organization" means an organization that is tax
19 exempt, or not required to apply for an exemption, under section
20 501(c)(3) or 501(c)(6) of the federal internal revenue code of 1986, as
21 amended.

22 (4) "Technical assistance" means professional services provided
23 under contract to nonprofit organizations for feasibility studies,
24 planning, and project management related to acquiring, constructing, or
25 rehabilitating nonresidential community services facilities.

26 NEW SECTION. **Sec. 3.** BUILDING COMMUNITIES FUND ACCOUNT CREATED.
27 The building communities fund account is created in the state treasury.
28 The account shall consist of legislative appropriations and gifts,
29 grants, or endowments from other sources as permitted by law. Moneys
30 in the account may be spent only after appropriation. Expenditures
31 from the account may be used only for capital and technical assistance
32 grants as provided in RCW 43.63A.125.

33 **Sec. 4.** RCW 43.63A.125 and 2006 c 371 s 233 are each amended to
34 read as follows:

35 (1) The department shall establish (~~a competitive process to~~

1 ~~solicit proposals for and prioritize projects that assist nonprofit~~
2 ~~organizations in))~~ the building communities fund program. Under the
3 program, capital and technical assistance grants may be made to
4 nonprofit organizations for acquiring, constructing, or rehabilitating
5 facilities used for the delivery of nonresidential ((~~social~~)) community
6 services, including social service centers and multipurpose community
7 centers, including those serving a distinct or ethnic population. Such
8 facilities must be located in a distressed community or serve a
9 substantial number of low-income or disadvantaged persons.

10 (2) The department shall establish a competitive process to
11 solicit, evaluate, and prioritize applications for the ((~~assistance~~))
12 building communities fund program as follows:

13 (a) The department shall conduct a statewide solicitation of
14 project applications from ((~~local governments,~~)) nonprofit
15 organizations((~~, and other entities, as determined by the department~~)).

16 (b) The department shall evaluate and rank applications in
17 consultation with a citizen advisory committee using objective
18 criteria. ((~~At a minimum,~~)) Applicants must demonstrate that the
19 ((~~requested assistance~~)) proposed project:

20 (i) Will increase the range, efficiency, or quality of the
21 ((~~social~~)) services ((it provides)) provided to citizens;

22 (ii) Will be located in a distressed community or will serve a
23 substantial number of low-income or disadvantaged persons;

24 (iii) Meets at least one of the following objectives:

25 (A) To provide social services;

26 (B) To encourage small business startups or sustainability, expand
27 employment opportunities for community residents, or increase the
28 employability of community residents; or

29 (C) To offer educational and recreational opportunities separate
30 from the public education system;

31 (iv) Reflects a long-term vision for the development of the
32 community, shared by residents, businesses, leaders, and partners;

33 (v) Requires state funding to accomplish a discrete, usable phase
34 of the project;

35 (vi) Is ready to proceed and will make timely use of the funds;

36 (vii) Is sponsored by one or more entities that have the
37 organizational and financial capacity to fulfill the terms of the grant
38 agreement and to maintain the project into the future;

1 (viii) Fills an unmet need for community services;
2 (ix) Will achieve its stated objectives; and
3 (x) Is a community priority as shown through tangible commitments
4 of existing or future assets made to the project by community
5 residents, leaders, businesses, and government partners.

6 (c) The evaluation and ranking process shall also include an
7 examination of existing assets that applicants may apply to projects.
8 ((Grant assistance under this section shall not exceed twenty five
9 percent of the total cost of the project.)) The department shall
10 require a nonstate match for grant assistance under this section. The
11 nonstate portion of the total project cost may include cash, the value
12 of real property when acquired solely for the purpose of the project,
13 and in-kind contributions. The required match shall not exceed twenty-
14 five percent of the total cost of the project, and the exact percentage
15 shall be determined by the department based upon its review of both the
16 project and the applicant's relevant assets.

17 ((b)) (d) The department may not:

18 (i) Set a monetary limit to funding requests; or

19 (ii) Require that state funds be the last to be spent on a project.

20 (3)(a) The department shall submit a ((prioritized)) ranked list of
21 recommended projects annually to the governor and the legislature in
22 the department's ((biennial)) capital budget requests beginning with
23 the ((2001-2003)) 2009-2011 biennium and thereafter. ((For the 1999-
24 2001 biennium, the department shall conduct a solicitation and ranking
25 process, as described in (a) of this subsection, for projects to be
26 funded by appropriations provided for this program in the 1999-2001
27 capital budget.)) The list shall include a description of each
28 project, its total cost, the amount of requested state funding, and the
29 amount of recommended state funding((, and documentation of nonstate
30 funds to be used for the project)).

31 (b) The total amount of recommended state capital funding for
32 projects on ((a biennial)) the annual ranked project list shall be
33 determined by the capital budget beginning with the 2009-2011 biennium
34 and thereafter, and shall not exceed ((ten million dollars)) forty
35 percent of the total amount appropriated for the building communities
36 fund program. In addition, if cash funds have been appropriated, up to
37 three million dollars may be used for technical assistance grants.

1 (~~Except for the 1999-2001 biennium,~~) The department shall not sign
2 contracts or otherwise financially obligate funds under this section
3 until the legislature has approved a specific list of projects.

4 ~~((c))~~ (4) The department shall also submit to the legislature an
5 unranked list of the remaining eligible projects for which applications
6 were received. The list must include a description of each project,
7 its total cost, and the amount of state funding requested. The
8 appropriate fiscal committees of the legislature shall use this list to
9 determine, in the legislature's sole discretion, any additional
10 building communities fund projects that may receive funding in the
11 capital budget. The total amount of state capital funding available
12 for all projects on the annual unranked list shall be determined by the
13 capital budget beginning with the 2009-2011 biennium and thereafter,
14 and shall not exceed sixty percent of the total amount appropriated for
15 the building communities fund program.

16 (5) In addition to the ranked and the unranked lists, the
17 department shall submit to the appropriate fiscal committees of the
18 legislature all application materials it received and all working
19 papers it developed during its evaluation process.

20 (6) After the legislature has approved a specific list of projects
21 in law, the department shall develop and manage appropriate contracts
22 with the selected applicants; monitor project expenditures and grantee
23 performance; report project and contract information; and exercise due
24 diligence and other contract management responsibilities as required.

25 (7) In contracts for grants authorized under this section the
26 department shall include provisions which require that capital
27 improvements shall be held by the grantee for a specified period of
28 time appropriate to the amount of the grant and that facilities shall
29 be used for the express purpose of the grant. If the grantee is found
30 to be out of compliance with provisions of the contract, the grantee
31 shall repay to the state general fund the principal amount of the grant
32 plus interest calculated at the rate of interest on state of Washington
33 general obligation bonds issued most closely to the date of
34 authorization of the grant.

35 NEW SECTION. Sec. 5. ACCOUNTABILITY. (1) The department shall
36 develop accountability and reporting standards for grant recipients.

1 At a minimum, the department shall use the criteria listed in RCW
2 43.63A.125(2)(b) to evaluate the progress of each grant recipient.

3 (2) Beginning January 1, 2011, the department shall submit an
4 annual report to the appropriate committees of the legislature,
5 including:

6 (a) A list of projects currently under contract with the department
7 under the building communities fund program; a description of each
8 project, its total cost, the amount of state funding awarded and
9 expended to date, the project status, the number of low-income people
10 served, and the extent to which the project has met the criteria in RCW
11 43.63A.125(2)(b); and

12 (b) Recommendations, if any, for policy and programmatic changes to
13 the building communities fund program to better achieve program
14 objectives.

15 NEW SECTION. **Sec. 6.** CAPTIONS NOT LAW. Captions used in this act
16 are not any part of the law.

17 NEW SECTION. **Sec. 7.** Sections 2, 3, and 5 of this act are each
18 added to chapter 43.63A RCW.

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