

HOUSE BILL REPORT

SHB 1260

As Amended by the Senate

Title: An act relating to public facilities' grants and loans.

Brief Description: Concerning public facilities' grants and loans.

Sponsors: House Committee on Capital Budget (originally sponsored by Representatives Warnick and Stanford; by request of Washington State Department of Commerce).

Brief History:

Committee Activity:

Technology & Economic Development: 1/29/13, 2/5/13 [DP];
Capital Budget: 2/18/13, 2/28/13 [DPS].

Floor Activity:

Passed House: 3/7/13, 63-34.

Floor Activity:

Passed House: 2/3/14, 56-39.
Senate Amended.
Passed Senate: 3/4/14, 48-1.

Brief Summary of Substitute Bill

- Directs the Community Economic Revitalization Board to manage the Public Facilities Construction Loan Revolving Account so as to ensure its sustainability.
- Directs that funds be obligated to public facilities projects under three existing programs and other legislatively-authorized programs, subject to certain threshold requirements and prioritization criteria.
- Sets standards for deferral of loan repayments.

HOUSE COMMITTEE ON TECHNOLOGY & ECONOMIC DEVELOPMENT

Majority Report: Do pass. Signed by 17 members: Representatives Morris, Chair; Habib, Vice Chair; Smith, Ranking Minority Member; Dahlquist, Freeman, Hudgins, Kochmar, Magendanz, Morrell, Stonier, Tarleton, Vick, Walsh, Wylie, Zeiger, Crouse and Maxwell.

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.

Staff: Kelly Leonard (786-7147).

HOUSE COMMITTEE ON CAPITAL BUDGET

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 8 members: Representatives Dunshee, Chair; Stanford, Vice Chair; Appleton, Fey, Riccelli, Smith, Stonier and Warnick.

Minority Report: Do not pass. Signed by 3 members: Representatives Hawkins, Assistant Ranking Minority Member; MacEwen, Assistant Ranking Minority Member; Scott.

Staff: Meg Van Schoorl (786-7105).

Background:

The Community Economic Revitalization Board (CERB) is governed by a 20-member statutory state board that is charged with funding public infrastructure improvements that encourage new business development and expansion in areas seeking economic growth. The CERB receives administrative support from the Department of Commerce.

The CERB's focus is on creating and retaining jobs in partnership with local governments. Through CERB, local governments can apply for low-interest loans and, occasionally, grants, to help finance public facility projects. Counties, cities, towns, port districts, federally-recognized Indian tribes, special purpose districts, municipal corporations, and quasi-municipal corporations with economic development purposes are eligible to apply. Public facilities eligible for CERB financing include: bridges; roads; domestic and industrial water; earth stabilization; sanitary sewer; storm sewer; railroad; telecommunications; electricity; transportation; natural gas; buildings or structures; and port facilities.

The traditional CERB program offers three financing programs: Committed Private Partner Construction, which requires evidence that a private development or expansion is ready to occur, contingent on approval of CERB funds; Prospective Development Construction, which requires evidence that a private development or expansion is likely to occur as a result of the public improvements; and planning projects, which evaluate high-priority economic development projects. Funding for CERB projects is appropriated in the Capital Budget primarily from the Public Facilities Construction Loan Revolving Account. The CERB is required to make at least 75 percent of the first \$20 million of funds available and at least 50 percent of additional funds available to financial assistance for projects in rural counties.

Summary of Substitute Bill:

Existing geographic requirements for the six business members of the CERB are removed. Instead, the Director of the Department of Commerce must endeavor to ensure equitable geographic representation.

The CERB is directed to manage the Public Facilities Construction Loan Revolving Account in such a way as to ensure its sustainability, and to finance projects under the following

programs: Committed Private Sector Partner Construction; Prospective Development Construction; Planning; and any other program authorized by the Legislature.

For the Committed Private Sector Partner Construction program, funding may only be provided when: (1) a specific private sector development or expansion is ready to occur, contingent on the public facility improvement; and (2) the median hourly wage of the resulting private sector jobs exceeds the countywide median hourly wage for private sector jobs. For the Prospective Development Construction program, funding may only be provided when: (1) the project demonstrates feasibility using standard economic principles; and (2) the median hourly wage of the resulting private sector jobs exceeds the countywide median hourly wage for private sector jobs.

The CERB must give priority to funding eligible Committed Private Sector Partner Construction projects. For Committed Private Sector Partner Construction and Prospective Development Construction projects, the board must prioritize funding using criteria that include: the number of jobs created; the average wage of those expected jobs; the local unemployment rate; the fit of the expected business creation or expansion within the region's preferred economic growth strategy; the speed with which the project can begin construction; whether health insurance with an option for dependents is offered; the leveraging of non-state funds; whether it increases capacity in a manner that supports infill and redevelopment of existing urban or industrial areas; and expected job creation and wage benefits for the amount of money provided.

Certain existing criteria required for the awarding of loans and grants, and certain existing requirements for prioritizing proposed projects are removed.

Loan repayment must begin within one year of final contract execution. However, the CERB is permitted to authorize borrowers to defer initiating loan repayments for up to three years, when the need is justified in writing, and under exceptional circumstances for up to five years, as part of a package of restructured loan terms and conditions to avoid a default. A package authorized under exceptional circumstances must be included in the biennial report.

The CERB may elect to reserve up to \$1 million of its biennial appropriation to use as state match for federal grant awards, as long as the purpose of the federal funds is consistent with CERB's purpose of financing economic development infrastructure, and the reserved CERB funds are matched, at a minimum, dollar for dollar by federal funds.

The CERB is required to provide advice to the Governor and Legislature on matters related to economic development.

The statutes governing the CERB are reorganized.

EFFECT OF SENATE AMENDMENT(S):

The requirement directing the Director of the Department of Commerce to ensure equitable geographic representation when appointing the business representatives of CERB are removed from the underlying bill. The six business representatives must be from specified

geographic areas, including an equal number from east of the Cascade range and from west of the Cascade range.

Language requiring CERB to manage the construction loan revolving account so as to ensure its sustainability is replaced with a directive for CERB to balance the need for grants with the construction loan revolving account.

The provision granting funding priority to eligible projects under the Committed Private Sector Partner Construction program is removed from the underlying bill.

The requirement that a project must demonstrate that the median hourly wage of the private sector jobs resulting from the project exceed the countywide median hourly wage for private sector jobs is removed from the underlying bill. Certain criteria by which CERB must prioritize funding are removed from the underlying bill, including the following: whether the project offers health insurance for employees that includes an option for dependents; and whether the project's public facility investment will support infill in urban or industrial areas

The requirement that repayment of funds must commence within one year of final contract execution is removed from the underlying bill. Requirements related to payment deferrals are also removed.

Appropriation: None.

Fiscal Note: Available.

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

Staff Summary of Public Testimony (Technology & Economic Development):

(In support) This bill upgrades and reorganizes criteria that were first put in place in 1982. It is time to look at the jobs we are creating and the infrastructure throughout the state, and reset CERB for the current economy. The CERB is one of the few state programs that make funding available for job-creating public infrastructure. The CERB leverages public dollars to create private sector jobs. This bill streamlines current statute so it makes sense, and takes lessons learned in last year's capital budget proviso, which allowed for good flexibility but also had clear priorities and outcomes.

(Opposed) None.

Staff Summary of Public Testimony (Capital Budget):

(In support) Since 1982 the CERB has been an important funding program for job-creating public infrastructure projects. This bill aligns the program with the twenty-first century economy. Over the 30 years that the CERB program has been in effect, its statute has been amended many times. The CERB wanted to reorganize the statute in a thoughtful way and found that the criteria contained in the 2012 capital budget was a good model for this bill because it allowed flexibility while also setting clear expectations for prioritization and

outcomes. The bill adopts the capital budget criteria, and deletes and reorganizes some existing criteria.

(Opposed) None.

Persons Testifying (Technology & Economic Development): Representative Warnick, Prime Sponsor; Nick Demerice, Department of Commerce; and Ginger Eagle, Washington Public Ports Association.

Persons Testifying (Capital Budget): Nick Demerice, Department of Commerce; and Alison Hellberg, Association of Washington Cities.

Persons Signed In To Testify But Not Testifying (Technology & Economic Development): None.

Persons Signed In To Testify But Not Testifying (Capital Budget): None.