

HOUSE BILL REPORT

HB 1648

As Reported by House Committee On:
Community Development, Housing & Tribal Affairs
Capital Budget

Title: An act relating to community economic revitalization in incorporated areas.

Brief Description: Providing for community economic revitalization in incorporated areas.

Sponsors: Representatives Appleton, Johnson, McCoy, Pike, Ryu, Moscoso and Hansen.

Brief History:

Committee Activity:

Community Development, Housing & Tribal Affairs: 2/7/13, 2/13/13 [DPS];
Capital Budget: 2/25/13, 2/26/13 [DP2S(w/o sub CDHT)].

Brief Summary of Second Substitute Bill

- Authorizes the Community Economic Revitalization Board to make loans to municipalities to finance public facilities improvements that encourage the revitalization of abandoned and vacant properties in incorporated areas.

HOUSE COMMITTEE ON COMMUNITY DEVELOPMENT, HOUSING & TRIBAL AFFAIRS

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 9 members: Representatives McCoy, Chair; Appleton, Vice Chair; Angel, Ranking Minority Member; Johnson, Assistant Ranking Minority Member; Haler, Pike, Ryu, Santos and Sawyer.

Staff: Sean Flynn (786-7124).

Background:

The Community Economic Revitalization Board (CERB) program provides loans and grants for the construction, repair, and acquisition of public facilities that encourage new business development and expansion in areas seeking economic growth. Eligible public facility projects include domestic and industrial water, buildings and structures, industrial wastewater

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treatment and storm water facilities, telecommunications, electricity, natural gas, and transportation.

The CERB is governed by a 20 member board that includes representatives of local governments, tribes, the private sector, the Legislature, and state agencies. The CERB conducts regularly scheduled competitive funding rounds for projects proposed by eligible jurisdictions, which include counties, cities and towns, port districts, special purpose districts, innovation partnership zones, municipal and quasi-municipal corporations, and federally-recognized Indian tribes.

The Traditional CERB program offers three financing programs: (1) Committed Private Partner Construction, which requires evidence that a private development or expansion is ready to occur, contingent on approval of CERB funds; (2) Prospective Development Construction, which requires evidence that a private development or expansion is likely to occur as a result of the public improvements; and (3) Planning Studies, which evaluate high-priority economic development projects.

Funding for CERB projects is appropriated in the omnibus capital appropriations act 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:

Revitalization Program Created.

A Revitalization Loan Program is established as a separate and distinct program under CERB. The objective of the program is to encourage the revitalization of abandoned and vacant properties in incorporated areas so that the number and type of businesses, services and employment opportunities within a community will be maximized.

Revitalization Loans Authorized.

Under the Revitalization Loan Program, CERB is authorized to make interest-free loans to municipalities to finance the cost of improving public facilities. Municipalities include cities, counties, towns, housing authorities, and port districts. The maximum amount that CERB may award to a specific project, in a single or a combination of loans, is \$2 million. The CERB must not require the municipality to pay interest on the loan. The maximum loan term is 20 years, but the borrower must begin repaying the loan five years after receiving it.

A separate account is created for the Revitalization Loan Program. Loan repayments must be deposited into the new account. Loans made under the Revitalization Loan Program are exempt from the general CERB loan terms and from the requirement that the majority of CERB funding be approved for projects in rural counties. Moneys in the account may be spent only after appropriation. The amount of outstanding loans for revitalization projects must not exceed moneys available in the account.

Eligible and Ineligible Revitalization Projects.

The CERB may provide financial assistance to municipalities for a project that will improve the opportunity in incorporated areas to revitalize existing retail, industrial, or commercial properties that are either abandoned or whose square footage is more than 75 percent vacant. General system improvements can be funded at a minimal level if critical to the project. The project must demonstrate that a specific private development or expansion is ready to occur and will only occur if the public facility improvement is made. In addition, the project must be part of a capital facilities plan, comprehensive plan, or an economic development plan consistent with applicable state planning requirements and must demonstrate economic feasibility.

Other factors that must be considered in evaluating and prioritizing projects are: the project's value to the community, including support from affected local businesses and government; the project's readiness to proceed; and the projected median hourly wage of the private sector jobs created after the project is completed in comparison to the countywide median hourly wage.

The CERB must not provide financial assistance for a project that: facilitates a retail shopping development with a floor area over 10,000 square feet; results in displacement of existing jobs in another Washington community; primarily facilitates or promotes gambling; results in the development of a professional sports arena; or is located outside the municipality's jurisdiction. The CERB must provide reasonable terms and conditions for repayment for loans.

Appropriations.

The biennial amount appropriated for the Revitalization Loan Program may not exceed \$10 million.

Comparison with Former House Bill 1079.

This bill replaces a prior version, House Bill 1079 (HB 1079). The main changes are:

- House Bill 1648 allows projects in incorporated areas are eligible to apply for loans, while HB 1079 limits eligibility to projects in urban growth areas;
- House Bill 1648 makes the revitalization program a distinct program so that the default provisions of other CERB programs do not apply, while HB 1079 makes the default provisions applicable;
- House Bill 1648 requires CERB to provide reasonable terms for repayment, while HB 1079 requires the state or county treasurer to garnish the jurisdiction's tax revenue in the event of delinquencies; and
- House Bill 1648 adds prohibitions on CERB from providing finance for projects that: (1) promote a retail shopping development with a floor plan that exceeds 10,000 square feet; or (2) will result in the expansion of a professional sports arena, while HB 1079 does not include these prohibitions.

Substitute Bill Compared to Original Bill:

The substitute bill adds housing authorities to the types of municipalities to which CERB is authorized to make loans. It removes "interest-free" from language authorizing CERB to make loans in order to avoid an interpretation that interest-free loans are permissible, but not mandatory. Finally, it replaces all negative directives from "may not" to "must not" to clarify that the directives are mandatory.

Appropriation: None.

Fiscal Note: Not requested.

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

Staff Summary of Public Testimony:

(In support) This bill provides a tool to cities to make areas useful and able to contribute to the community and economy. Adaptive reuse of vacant and underutilized land is one of the most sustainable ways to put old buildings into use. Housing authorities are in a position to help reutilize properties and put them back on the tax rolls and should be included in the bill.

(With concerns) The bill needs some technical work to make sure the language does not prohibit the desired outcomes and that the bill is implementable.

(Opposed) None.

Persons Testifying: (In support) Representative Appleton, prime sponsor; Alison Hellberg, Association of Washington Cities; and Kurt Creager, Otak Incorporated.

(With concerns) Karen Larkin, Department of Commerce.

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 Development, Housing & Tribal Affairs. Signed by 8 members: Representatives Dunshee, Chair; Stanford, Vice Chair; Warnick, Ranking Minority Member; Appleton, Fey, Riccelli, Smith and Stonier.

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

Staff: Meg Van Schoorl (786-7105).

Summary of Recommendation of Committee On Capital Budget Compared to Recommendation of Committee On Community Development, Housing & Tribal Affairs:

As a threshold requirement, rather than as a prioritization factor, a Revitalization Loan Program application must demonstrate convincing evidence that the median hourly wage of the private sector jobs created after the project is completed will exceed the countywide median hourly wage. As a prioritization factor, the Community Economic Revitalization Board (CERB) must consider whether a proposed project offers an employee health insurance plan that includes an option for employees' dependents. The CERB is not prohibited from requiring a municipality to pay interest on a loan.

Appropriation: None.

Fiscal Note: Available.

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

Staff Summary of Public Testimony:

(In support) The economic downturn left many communities with abandoned and vacant properties. This new program would be a useful tool to encourage revitalization of such properties in many incorporated areas of the state.

(Opposed) None.

Persons Testifying: Representative Appleton, prime sponsor; and Allison Hellberg, Association of Washington Cities.

Persons Signed In To Testify But Not Testifying: None.