

SENATE BILL REPORT

E2SHB 1648

As of March 21, 2013

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

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

Sponsors: House Committee on Capital Budget (originally sponsored by Representatives Appleton, Johnson, McCoy, Pike, Ryu, Moscoso and Hansen).

Brief History: Passed House: 3/09/13, 89-8.

Committee Activity: Trade & Economic Development: 3/19/13.

SENATE COMMITTEE ON TRADE & ECONOMIC DEVELOPMENT

Staff: Jack Brummel (786-7428)

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 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.

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.

Funding for CERB projects is appropriated in the omnibus capital appropriations act primarily from the Public Facilities Construction Loan Revolving Account. CERB must 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 Bill: CERB is authorized to make loans to municipalities to finance public facilities projects 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. Applicants must demonstrate that a specific private development or expansion is ready to occur and will only occur if the public facility improvement is made. Applicants must also demonstrate that the median hourly wage of private sector jobs to be created will exceed the countywide median hourly wage. General system improvements can be funded at a minimal level if they are critical to the project.

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

Factors that CERB must consider in evaluating and prioritizing projects include the following: the project's value to the community; feasibility; the commitment of local matching resources; inclusion in a capital facilities plan, comprehensive plan, or an economic development plan; whether the project offers health care coverage; and the project's readiness to proceed.

CERB must provide reasonable terms and conditions for repayment for loans. The maximum loan term is 20 years, but the borrower must begin repaying the loan five years after receiving it. The maximum amount that CERB may award to a specific project, in a single or a combination of loans, is \$2 million. The biennial amount appropriated for the Revitalization Loan Program may not exceed \$10 million.

A separate Revitalization Loan Program Account is created. Loan repayments and other funds for the loan program must be deposited into the new account.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

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

Staff Summary of Public Testimony: PRO: Small towns have a lot of vacant and abandoned buildings. This is an attempt to incentivize businesses to move back into abandoned buildings. This allows cities to borrow up to \$2 million to put into the infrastructure and incentivize the private sector to revitalize abandoned properties. This is about creating jobs. This is not eminent domain or a taking. Abandoned properties drive

down the value of neighboring businesses. This would be last-piece financing. This is a signal from the public sector to the business community. Local jurisdictions need to have a tool to show businesses that they want redevelopment.

Persons Testifying: PRO: Representative Appleton, prime sponsor; Representative Johnson, sponsor; Becky Erickson, Mayor of Poulsbo; Alison Hellberg, Assn. of WA Cities; Bill Clarke, WA Realtors.