
SUBSTITUTE HOUSE BILL 1260

AS AMENDED BY THE SENATE

Passed Legislature - 2014 Regular Session

State of Washington 63rd Legislature 2014 Regular Session

By House Capital Budget (originally sponsored by Representatives Warnick and Stanford; by request of Washington State Department of Commerce)

READ FIRST TIME 03/01/13.

1 AN ACT Relating to public facilities' grants and loans; amending
2 RCW 43.160.010, 43.160.020, 43.160.030, 43.160.050, 43.160.076,
3 43.160.080, and 43.160.900; adding new sections to chapter 43.160 RCW;
4 and repealing RCW 43.160.060, 43.160.070, and 43.160.078.

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

6 **Sec. 1.** RCW 43.160.010 and 2012 c 225 s 2 are each amended to read
7 as follows:

8 (1) The legislature finds that it is the ((public)) policy of the
9 state of Washington to ((direct—financial—resources—toward—the
10 fostering of economic development through the stimulation of investment
11 and—job—opportunities—and—the—retention—of—sustainable—existing
12 employment)) employ state and federal resources to foster economic
13 development to promote private investment and to create or retain job
14 opportunities for the general welfare of the inhabitants of the state.
15 Reducing unemployment and reducing the time citizens remain jobless
16 ((is)) are important for the economic welfare of the state.

17 (2) The legislature finds that a valuable means of fostering
18 economic development is the construction of public facilities which
19 contribute to the stability and growth of the state's economic base.

1 Expenditures made for these purposes as authorized in this chapter are
2 declared to be in the public interest, and constitute a proper use of
3 public funds. ~~((A community economic revitalization board is needed
4 which shall aid the development of economic opportunities. The general
5 objectives of the board should include:~~

6 ~~(a) Strengthening the economies of areas of the state which have
7 experienced or are expected to experience chronically high unemployment
8 rates or below average growth in their economies;~~

9 ~~(b) Encouraging the diversification of the economies of the state
10 and regions within the state in order to provide greater seasonal and
11 cyclical stability of income and employment;~~

12 ~~(c) Encouraging wider access to financial resources for both large
13 and small industrial development projects;~~

14 ~~(d) Encouraging new economic development or expansions to maximize
15 employment;~~

16 ~~(e) Encouraging the retention of viable existing firms and
17 employment;~~

18 ~~(f) Providing incentives for expansion of employment opportunities
19 for groups of state residents that have been less successful relative
20 to other groups in efforts to gain permanent employment; and~~

21 ~~(g) Enhancing job and business growth through facility development
22 and other improvements in innovation partnership zones designated under
23 RCW 43.330.270.~~

24 ~~(2))~~ (3) The legislature also finds that the state's economic
25 development efforts can be enhanced by, in certain instances, providing
26 funds to improve state highways, county roads, or city streets for
27 industries considering locating or expanding in this state.

28 ~~((3))~~ (4) The legislature finds it desirable to provide a process
29 whereby the need for diverse public works improvements necessitated by
30 planned economic development can be addressed in a timely fashion and
31 with coordination among all responsible governmental entities.

32 ~~((4))~~ (5) The legislature also finds that the state's economic
33 development efforts can be enhanced by, in certain instances, providing
34 funds to assist development of telecommunications infrastructure that
35 supports business development, retention, and expansion in the state.

36 ~~((5))~~ (6) The legislature also finds that the state's economic
37 development efforts can be enhanced by providing funds to improve
38 markets for those recyclable materials representing a large fraction of

1 the waste stream. The legislature finds that the construction or
2 rehabilitation of public facilities (~~(which)~~) that result in private
3 construction of processing or remanufacturing facilities for recyclable
4 materials (~~(are)~~) is eligible for consideration from the board.

5 ~~((+6))~~ (7) The legislature finds that sharing economic growth
6 statewide is important to the welfare of the state. The ability of
7 communities to pursue business and job retention, expansion, and
8 development opportunities depends on their capacity to ready necessary
9 economic development project plans, sites, permits, and infrastructure
10 for private investments. Project-specific planning, predevelopment,
11 and infrastructure are critical ingredients for economic development.
12 ~~((It is, therefore, the intent of the legislature to increase the~~
13 ~~amount of funding available through the community economic~~
14 ~~revitalization board and to authorize flexibility for available~~
15 ~~resources in these areas to help fund planning, predevelopment, and~~
16 ~~construction costs of infrastructure and facilities and sites that~~
17 ~~foster economic vitality and diversification.))~~

18 (8) It is, therefore, the intent of the legislature to create a
19 community economic revitalization board to aid the development of
20 economic opportunities. The general objectives of the board should
21 include:

22 (a) Strengthening the economies of areas of the state which have
23 experienced or are expected to experience chronically high unemployment
24 rates or below average growth in their economies;

25 (b) Encouraging the diversification of the economies of the state
26 and regions within the state in order to provide greater stability of
27 income and employment;

28 (c) Encouraging greater access to financial resources for both
29 large and small industrial development projects;

30 (d) Encouraging new economic development or expansions to maximize
31 employment;

32 (e) Encouraging the retention of viable existing firms and
33 promoting employment within these firms;

34 (f) Providing incentives for expansion of employment opportunities
35 for groups of state residents that have been less successful relative
36 to other groups in efforts to gain permanent employment; and

37 (g) Enhancing job and business growth through facility development

1 and other improvements in innovation partnership zones designated under
2 RCW 43.330.270.

3 NEW SECTION. **Sec. 2.** A new section is added to chapter 43.160 RCW
4 to read as follows:

5 The legislature finds that the community economic revitalization
6 board has successfully acted as an economic development infrastructure
7 financier for local governments. It is, therefore, the intent of the
8 legislature to authorize flexibility for the community economic
9 revitalization board to help fund planning, predevelopment, and
10 construction costs of infrastructure and facilities and sites that
11 foster economic vitality and diversification.

12 **Sec. 3.** RCW 43.160.020 and 2012 c 225 s 3 are each amended to read
13 as follows:

14 Unless the context clearly requires otherwise, the definitions in
15 this section apply throughout this chapter.

16 (1) "Board" means the community economic revitalization board.

17 (2) "Department" means the department of commerce.

18 (3) "Director" means the director of the department.

19 (4) "Local government" or "political subdivision" means any port
20 district, county, city, town, special purpose district, and any other
21 municipal corporations or quasi-municipal corporations in the state
22 providing for public facilities under this chapter.

23 ~~((4))~~ (5) "Planning project" means project-specific
24 environmental, capital facilities, land use, permitting, feasibility,
25 and marketing studies and plans; project design, site planning, and
26 analysis; project debt and revenue impact analysis; and economic
27 development industry cluster analysis.

28 (6) "Project" means a project of a local government or a federally
29 recognized Indian tribe for the planning, acquisition, construction,
30 repair, reconstruction, replacement, rehabilitation, or improvement of
31 a public facility.

32 (7) "Public facilities" means ~~((a project of a local government or~~
33 ~~a federally recognized Indian tribe for the planning, acquisition,~~
34 ~~construction, repair, reconstruction, replacement, rehabilitation, or~~
35 ~~improvement of))~~ bridges; roads; research, testing, training, and
36 incubation facilities in areas designated as innovation partnership

1 zones under RCW 43.330.270; buildings or structures; domestic and
2 industrial water, earth stabilization, sanitary sewer, storm (~~sewer~~)
3 water, railroad, electricity, broadband, telecommunications,
4 transportation, natural gas, and port facilities(~~;- all for the purpose~~
5 ~~of job creation, job retention, or job expansion~~)).

6 ((~~5~~)) (8) "Rural county" means a county with a population density
7 of fewer than one hundred persons per square mile or a county smaller
8 than two hundred twenty-five square miles, as determined by the office
9 of financial management and published each year by the department for
10 the period July 1st to June 30th.

11 **Sec. 4.** RCW 43.160.030 and 2011 1st sp.s. c 21 s 25 are each
12 amended to read as follows:

13 (1) The community economic revitalization board is hereby created
14 to exercise the powers granted under this chapter.

15 (2) The board (~~shall~~) must consist of one member from each of the
16 two major caucuses of the house of representatives to be appointed by
17 the speaker of the house and one member from each of the two major
18 caucuses of the senate to be appointed by the president of the senate.
19 The board (~~shall~~) must also consist of the following members
20 appointed by the director of commerce: A recognized private or public
21 sector economist; one port district official; one county official; one
22 city official; one representative of a federally recognized Indian
23 tribe; one representative of the public; (~~one~~) four representatives
24 of small businesses (~~each from: (a) The area west of Puget Sound, (b)~~
25 ~~the area east of Puget Sound and west of the Cascade range, (c) the~~
26 ~~area east of the Cascade range and west of the Columbia river, and (d)~~
27 ~~the area east of the Columbia river; one executive from large~~
28 ~~businesses each from the area west of the Cascades and the area east of~~
29 ~~the Cascades~~); and two executives from large businesses. The
30 appointive members (~~shall~~) must initially be appointed to terms as
31 follows: Three members for one-year terms, three members for two-year
32 terms, and three members for three-year terms (~~which shall~~) that must
33 include the chair. Thereafter each succeeding term (~~shall~~) must be
34 for three years. The chair of the board (~~shall~~) must be selected by
35 the director of commerce. When appointing members, the director must
36 endeavor to ensure equitable geographic representation. The members of
37 the board (~~shall~~) must elect one of their members to serve as

1 (~~vice chair~~) vice chair. The director of commerce, the director of
2 revenue, the commissioner of employment security, and the secretary of
3 transportation (~~shall~~) must serve as nonvoting advisory members of
4 the board.

5 (3) (~~Management services, including fiscal and contract services,~~
6 ~~shall be provided by the department to assist the board in implementing~~
7 ~~this chapter.~~

8 (~~4~~) Members of the board (~~shall~~) must be reimbursed for travel
9 expenses as provided in RCW 43.03.050 and 43.03.060.

10 (~~5~~) (4) If a vacancy occurs by death, resignation, or otherwise
11 of appointive members of the board, the director of commerce (~~shall~~)
12 must fill the same for the unexpired term. Members of the board may be
13 removed for malfeasance or misfeasance in office, upon specific written
14 charges by the director of commerce, under chapter 34.05 RCW.

15 (~~6~~) (5) A member appointed by the director of commerce may not
16 be absent from more than fifty percent of the regularly scheduled
17 meetings in any one calendar year. Any member who exceeds this absence
18 limitation is deemed to have withdrawn from the office and may be
19 replaced by the director of commerce.

20 (~~7~~) (6) A majority of members currently appointed constitutes
21 a quorum.

22 **Sec. 5.** RCW 43.160.050 and 2008 c 327 s 4 are each amended to read
23 as follows:

24 The board may:

25 (1) Adopt bylaws for the regulation of its affairs and the conduct
26 of its business.

27 (2) Adopt an official seal and alter the seal at its pleasure.

28 (3) Utilize the services of other governmental agencies.

29 (4) Accept from any federal agency loans or grants for the planning
30 or financing of any project and enter into an agreement with the agency
31 respecting the loans or grants.

32 (5) Conduct examinations and investigations and take testimony at
33 public hearings of any matter material for its information that will
34 assist in determinations related to the exercise of the board's lawful
35 powers.

36 (6) Accept any gifts, grants, or loans of funds, property, or

1 financial or other aid in any form from any other source on any terms
2 and conditions which are not in conflict with this chapter.

3 (7) Enter into agreements or other transactions with and accept
4 grants and the cooperation of any governmental agency in furtherance of
5 this chapter.

6 (8) Consistent with the guidelines issued by the office of
7 financial management and in consultation with the department, prepare
8 biennial operating and capital budgets and, as needed, update these
9 budgets during the biennium.

10 (9) Adopt rules under chapter 34.05 RCW as necessary to carry out
11 the purposes of this chapter.

12 ((+9)) (10) Do all acts and things necessary or convenient to
13 carry out the powers expressly granted or implied under this chapter.

14 NEW SECTION. Sec. 6. A new section is added to chapter 43.160 RCW
15 to read as follows:

16 Management services, including fiscal and contract services, must
17 be provided by the department to assist the board in implementing this
18 chapter.

19 NEW SECTION. Sec. 7. A new section is added to chapter 43.160 RCW
20 to read as follows:

21 (1) In order to assist political subdivisions of the state and
22 federally recognized Indian tribes in financing the cost of public
23 facilities, the board:

24 (a) Must manage the public facilities construction loan revolving
25 account in such a way as to ensure its sustainability.

26 (b) Must execute contracts or otherwise financially obligate funds
27 from the public facilities construction loan revolving account for
28 projects approved for funding by the board under the following
29 programs:

30 (i) Committed private sector partner construction;

31 (ii) Prospective development construction;

32 (iii) Planning; and

33 (iv) Any other program authorized by the legislature.

34 (c) Must provide loans to political subdivisions and federally
35 recognized Indian tribes for the purposes of financing the cost of
36 public facilities.

1 (i) The board must determine the interest rate that loans bear.
2 The interest rate may not exceed ten percent per annum.

3 (ii) The board may provide reasonable terms and conditions for
4 repayment for loans, including partial forgiveness of loan principal
5 and interest payments on projects located in rural communities as
6 defined by the board, or rural counties. The loans may not exceed
7 twenty years in duration.

8 (iii) In general, the board must require borrowers to begin
9 repaying loans within one year of final contract execution. The board
10 may authorize borrowers to defer initiating loan repayments for up to
11 five years. A borrower must submit a deferral request to the board in
12 writing and must include justification as to the need.

13 (d) May provide grants for purposes designated in this chapter, but
14 only when, and to the extent that, a loan is not reasonably possible,
15 given the limited resources of the political subdivision or the
16 federally recognized Indian tribe and the finding by the board that
17 financial circumstances require grant assistance to enable the project
18 to move forward.

19 (2) No more than twenty-five percent of all financial assistance
20 approved by the board in any biennium may consist of grants to
21 political subdivisions and federally recognized Indian tribes.

22 (3) Except as authorized to the contrary under subsection (4) of
23 this section, from all funds available to the board for financial
24 assistance in a biennium under this chapter, the board must approve at
25 least seventy-five percent of the first twenty million dollars of funds
26 available and at least fifty percent of any additional funds for
27 financial assistance for projects in rural counties or board defined
28 rural communities.

29 (4) If at any time during the last six months of a biennium the
30 board finds that the actual and anticipated applications for qualified
31 projects in rural counties or board defined rural communities are
32 clearly insufficient to use up the allocations under subsection (3) of
33 this section, the board must estimate the amount of the insufficiency
34 and during the remainder of the biennium may use that amount of the
35 allocation for financial assistance to projects not located in rural
36 counties or board defined rural communities.

37 (5) The board may elect to reserve up to one million dollars of its
38 biennial appropriation to use as state match for federal grant awards.

1 The purpose and use of the federal funds must be consistent with the
2 board's purpose of financing economic development infrastructure.
3 Reserved board funds must be matched, at a minimum, dollar for dollar
4 by federal funds. If the set aside funds are not fully utilized for
5 federal grant match by the 18th month of the biennium, the board may
6 use those funds for other eligible projects as stated in this chapter.

7 NEW SECTION. **Sec. 8.** A new section is added to chapter 43.160 RCW
8 to read as follows:

9 The board must:

10 (1) Establish and maintain collaborative relations with
11 governmental, private, and other financing organizations, advocate
12 groups, and other stakeholders associated with state economic
13 development activities and policies;

14 (2) Provide information and advice to the governor and legislature
15 on matters related to economic development; and

16 (3) At the direction of the governor, provide information and
17 advocacy at the national level on matters related to economic
18 development financing.

19 NEW SECTION. **Sec. 9.** A new section is added to chapter 43.160 RCW
20 to read as follows:

21 (1) Under the committed private sector partner construction
22 program, the board may only provide financial assistance to a project
23 that demonstrates convincing evidence that a specific private sector
24 development or expansion is ready to occur or will occur only if the
25 public facility improvement is made.

26 (2) Under the prospective development construction program, the
27 board may only provide financial assistance to a project that can
28 demonstrate project feasibility using standard economic principles.

29 (3)(a) Projects applying under either the committed private sector
30 partner construction program or the prospective development
31 construction program must submit evidence comparing the median hourly
32 wage of the private sector jobs to be created after the project is
33 completed with the countywide median hourly wage for private sector
34 jobs.

35 (b) The board must award a minimum of fifty percent of the moneys
36 appropriated to it in the omnibus capital appropriations act to

1 projects that are able to demonstrate convincing evidence that the
2 median hourly wage of the private sector jobs created after the project
3 is completed will exceed the countywide median hourly wage for private
4 sector jobs.

5 (4) The board must give funding priority to eligible projects
6 applying under the committed private sector partner construction
7 program.

8 NEW SECTION. **Sec. 10.** A new section is added to chapter 43.160
9 RCW to read as follows:

10 (1) The board must prioritize awards for committed private sector
11 partner construction and prospective development construction projects
12 by considering at a minimum the following criteria:

13 (a) The number of jobs created by the expected business creation or
14 expansion and the average wage of those expected jobs. In evaluating
15 proposals for their job creation potential, the board may adjust the
16 job estimates in applications based on the board's judgment of the
17 credibility of the job estimates;

18 (b) The need for job creation based on the unemployment rate of the
19 county or counties in which the project is located. When evaluating
20 the jobs created by the project, the board may consider the area labor
21 supply and readily available skill sets of the labor pool in the county
22 or counties surrounding the project location;

23 (c) How the expected business creation or expansion fits within the
24 region's preferred economic growth strategy as indicated by the efforts
25 of nearby innovation partnership zones, industry clusters, future
26 export prospects, or local government equivalent if available;

27 (d) The speed with which the project can begin construction;

28 (e) Whether the proposed project offers a health insurance plan for
29 employees that includes an option for dependents of employees;

30 (f) Whether the public facility investment will increase existing
31 capacity necessary to accommodate projected population and employment
32 growth in a manner that supports infill and redevelopment of existing
33 urban or industrial areas served by adequate public facilities; and

34 (g) The extent that the project leverages nonstate funds, and
35 achieves overall the greatest benefit in job creation at good wages for
36 the amount of money provided.

37 (2) The board may not provide financial assistance:

1 (a) For a project the primary purpose of which is to facilitate or
2 promote a retail shopping development or expansion;

3 (b) For any project for which evidence exists that would result in
4 a development or expansion that would displace jobs in any other
5 community in the state;

6 (c) For a project the primary purpose of which is to facilitate or
7 promote gambling; or

8 (d) For a project located outside the jurisdiction of the applicant
9 political subdivision or federally recognized Indian tribe.

10 **Sec. 11.** RCW 43.160.076 and 2011 c 180 s 301 are each amended to
11 read as follows:

12 ~~((1) Except as authorized to the contrary under subsection (2) of
13 this section, from all funds available to the board for financial
14 assistance in a biennium under this chapter, the board shall approve at
15 least seventy five percent of the first twenty million dollars of funds
16 available and at least fifty percent of any additional funds for
17 financial assistance for projects in rural counties.~~

18 ~~(2) If at any time during the last six months of a biennium the
19 board finds that the actual and anticipated applications for qualified
20 projects in rural counties are clearly insufficient to use up the
21 allocations under subsection (1) of this section, then the board shall
22 estimate the amount of the insufficiency and during the remainder of
23 the biennium may use that amount of the allocation for financial
24 assistance to projects not located in rural counties.~~

25 ~~(3))~~ The board ~~((shall))~~ must solicit qualifying projects to plan,
26 design, and construct public facilities needed to attract new
27 industrial and commercial activities in areas impacted by the closure
28 or potential closure of large coal-fired electric generation
29 facilities, which for the purposes of this section means a facility
30 that emitted more than one million tons of greenhouse gases in any
31 calendar year prior to 2008. The projects should be consistent with
32 any applicable plans for major industrial activity on lands formerly
33 used or designated for surface coal mining and supporting uses under
34 RCW 36.70A.368. When the board receives timely and eligible project
35 applications from a political subdivision of the state for financial
36 assistance for such projects, the board from available funds ~~((shall))~~
37 must give priority consideration to such projects.

1 **Sec. 12.** RCW 43.160.080 and 2010 1st sp.s. c 36 s 6011 are each
2 amended to read as follows:

3 (1) There (~~shall~~) must be a fund in the state treasury known as
4 the public facilities construction loan revolving account, which
5 (~~shall~~) consists of all moneys collected under this chapter and any
6 moneys appropriated to it by law. Disbursements from the revolving
7 account (~~shall~~) must be on authorization of the board. In order to
8 maintain an effective expenditure and revenue control, the public
9 facilities construction loan revolving account (~~shall be~~) is subject
10 in all respects to chapter 43.88 RCW. During the 2009-2011 biennium,
11 sums in the public facilities construction loan revolving account may
12 be used for community economic revitalization board export assistance
13 grants and loans in section 1018, chapter 36, Laws of 2010 1st sp.
14 sess. and for matching funds for the federal energy regional innovation
15 cluster in section 1017, chapter 36, Laws of 2010 1st sp. sess.

16 (2) The moneys in the public facilities construction loan revolving
17 account must be used solely to fulfill commitments arising from
18 financial assistance authorized in this chapter. The total outstanding
19 amount, which the board must dispense at any time pursuant to this
20 section, may not exceed the moneys available from the account.

21 (3) Repayments of loans made from the public facilities
22 construction loan revolving account under the contracts for public
23 facilities construction loans must be paid into the public facilities
24 construction loan revolving account.

25 **Sec. 13.** RCW 43.160.900 and 2008 c 327 s 9 are each amended to
26 read as follows:

27 (1) The community economic revitalization board (~~shall~~) must
28 conduct biennial outcome-based evaluations of the financial assistance
29 provided under this chapter. The evaluations (~~shall~~) must include
30 information on the number of applications for community economic
31 revitalization board assistance; the number and types of projects
32 approved; the grant or loan amount awarded each project; the projected
33 number of jobs created or retained by each project; the actual number
34 and cost of jobs created or retained by each project; the wages and
35 health benefits associated with the jobs; the amount of state funds and
36 total capital invested in projects; the number and types of businesses
37 assisted by funded projects; the location of funded projects; the

1 transportation infrastructure available for completed projects; the
2 local match and local participation obtained; the number of delinquent
3 loans; and the number of project terminations. The evaluations may
4 also include additional performance measures and recommendations for
5 programmatic changes.

6 (2)(a) By September 1st of each even-numbered year, the board
7 (~~shall~~) must forward its draft evaluation to the Washington state
8 economic development commission for review and comment(~~(, as required~~
9 ~~in section 10 of this act)~~). The board (~~shall~~) must provide any
10 additional information as may be requested by the commission for the
11 purpose of its review.

12 (b) Any written comments or recommendations provided by the
13 commission as a result of its review (~~shall~~) must be included in the
14 board's completed evaluation. The evaluation must be presented to the
15 governor and appropriate committees of the legislature by December 31st
16 of each even-numbered year. (~~The initial evaluation must be submitted~~
17 ~~by December 31, 2010.~~)

18 NEW SECTION. **Sec. 14.** The following acts or parts of acts are
19 each repealed:

20 (1) RCW 43.160.060 (Loans and grants to political subdivisions and
21 federally recognized Indian tribes for public facilities authorized--
22 Application--Requirements for financial assistance) and 2012 c 196 s
23 10, 2008 c 327 s 5, 2007 c 231 s 3, & 2004 c 252 s 3;

24 (2) RCW 43.160.070 (Conditions) and 2008 c 327 s 6, 1999 c 164 s
25 104, 1998 c 321 s 27, 1997 c 235 s 721, 1996 c 51 s 6, 1990 1st ex.s.
26 c 16 s 802, 1983 1st ex.s. c 60 s 4, & 1982 1st ex.s. c 40 s 7; and

27 (3) RCW 43.160.078 (Board to familiarize government officials and
28 public with chapter provisions) and 1985 c 446 s 5.

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