
**Community & Economic
Development & Trade Committee**

HB 3125

Brief Description: Creating the building communities fund program.

Sponsors: Representatives Kenney, Haler, Sullivan, Simpson, Barlow, Quall, Kagi, Flannigan, Cody, Nelson, Ormsby, Darneille and Hasegawa.

Brief Summary of Bill

- Creates the Building Communities Fund Program in the Department of Community, Trade and Economic Development to make grants for acquiring, constructing or rehabilitating nonresidential community services facilities.

Appropriates \$40 million for capital and technical assistance grants for fiscal year 2009.

Hearing Date: 1/28/08

Staff: Meg Van Schoorl (786-7105).

Background:

Community Services Facilities Program

The Department of Community, Trade and Economic Development (DCTED) administers the Community Services Facilities Program under Chapter 43.63A.125. The program offers grants on a competitive basis to non-profit organizations and other entities as determined by DCTED for the acquisition, construction, or rehabilitation of facilities used for the delivery of nonresidential social services. The DCTED evaluates and ranks applications in consultation with a citizen advisory committee using objective criteria. Applicants must demonstrate that the assistance will increase the efficiency or quality of social services. Grant assistance cannot exceed 25 percent of the total project cost. The non-state portion of the total project cost may include cash, the value of real property when acquired solely for the project purpose, and in-kind contributions. The DCTED must submit a prioritized list of recommended projects to the Governor and Legislature in its biennial capital budget submission. The total state cost cannot exceed \$10 million. The

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.

DCTED cannot sign financially obligate funds until the Legislature has approved a specific list of projects.

Public Infrastructure Study Committee

A proviso in the 2007-09 Capital Budget established the Study Committee on Public Infrastructure Programs and Funding Structures (Committee). The joint House-Senate bipartisan Committee was charged with making "recommendations for a comprehensive funding structure and a systematic approach to support the integration, consolidation and standardization of processes and procedures for community and economic development infrastructure programs". Among the recommendations contained in its January 1, 2008 Final Report, the Committee proposed that the existing Community Services Facilities Program within DCTED be expanded beyond nonresidential social services to also cover nonresidential community services including multipurpose community and cultural centers and that the Program prioritize projects in distressed communities. The Committee recommended that "distressed communities" be defined on the basis of school district free and reduced meals; county unemployment 20 percent about the state average for the previous three years; and/or the Small Business Administration's HUB Zones Criteria. While the focus would continue to be on capital projects, the Committee recommended that if "cash" funds were appropriated, up to \$5 million may be used for technical assistance and planning.

Distressed Areas

In 2007, 16 of Washington's 39 counties were designated as economically distressed because their unemployment rate was 20 percent or more above the statewide average over the previous three years. Six urban jurisdictions have been designated as having Community Empowerment Zones in which at least 51 percent of the households have incomes at or below 80 percent of the county's median income, and an average unemployment rate 20 percent above the statewide average. In addition to those officially designated, there are a number of census tracts in other communities that are characterized by high unemployment rates, low income populations, deteriorating infrastructure and a lack of facilities for community services, workforce training and education.

Summary of Bill:

Findings and Intent

There are distressed rural and urban communities in our state where investments in community services initiatives could create vibrant local business districts and prosperous neighborhoods. Nonprofit organizations provide a variety of community services to Washington citizens, and in some cases, it is appropriate for the state to assist in development of community service facilities. Providing these capital investments is critical for the economic health of local distressed communities, helps build strong relationships with the state, and expands life opportunities for under-served low income populations. Creating the Building Communities Fund could enhance services by nonprofit organizations, local governments, and federally recognized tribes.

Building Communities Fund Program and Program Account Established

Expanding upon the existing Community Services Facilities program, the Department must establish the Building Communities Fund Program (Program) through which capital grants may be provided to distressed community nonprofit organizations, local governments, or federally

recognized Indian tribes. In addition, technical assistance grants may be provided to emerging or expanding nonprofit organizations in distressed communities.

Distressed communities are defined as:

- A county that has an unemployment rate that is twenty percent above the statewide average for the immediately previous three years;
- An area within a county that DCTED determines to be a low-income community, using as guidance designations under the Community Development Financial Institutions Fund's New Markets Tax Credit Program; or,
- A school district in which at least 50% of local elementary students receive free and reduced-price meals.

Program grants may be used for acquiring, constructing, or rehabilitating facilities used to deliver nonresidential community services, including social service centers, multipurpose community centers, and cultural centers that:

Provide social services• Encourage small business start-ups or sustainability, expand employment opportunities for community residents; increase the employability of community residents;

- Offer educational and recreational opportunities separate from public education system; or
- Serve another high priority nonresidential community service need.

The Building Communities Fund Account is created in the State Treasury. Moneys may be spent only after appropriation. Account expenditures may be used only for specified capital and technical assistance grants.

Competitive Process

DCTED must establish a competitive process to solicit, evaluate and prioritize applications. DCTED must evaluate and rank applications in consultation with a citizen advisory committee using objective criteria.

Applicants must demonstrate that the proposed project:

- Will increase range, efficiency or quality of services.
- Will be located in and serve a distressed area.
- Meets at least one of the objectives above.
- Reflects a long-term shared vision for the community's development.
- Requires state funding to accomplish a discrete project phase.
- Is ready to proceed, will make timely use of funds.
- Is sponsored by entities with organizational and financial capacity to fulfill the terms of the grant agreement and maintain the project in the future.
- Fills an unmet need.
- Will achieve its stated objectives.
- Is a community priority as shown through tangible commitments of existing or future assets to the project by residents, leaders, businesses, partners.

DCTED may not set monetary limits to funding requests, require cash or in kind match, or require that state funds be the last to be spent on a project.

DCTED must submit an annual ranked list of recommended projects to the Governor and Legislature in its biennial and supplemental capital budget requests. The total amount of recommended state capital funding must not exceed \$14 million or 40% of the funds appropriated to the Building Communities Fund. If cash funds are appropriated, up to \$5 million may be used for technical assistance grants to nonprofit organizations.

DCTED must also submit to the Legislature an unranked list of the remaining project applications. The appropriate fiscal committees must use the list to determine, in the Legislature's sole discretion, any additional Building Communities Fund projects, up to \$21 million, or 60% of the total funds appropriated. In addition, DCTED must submit to the Legislature all application materials it received and working papers developed.

Contracts and Accountability

After the Legislature has approved a specific list of projects in law, DCTED must develop and manage contracts with grantees, monitor expenditures and performance, and exercise other due diligence. DCTED must develop accountability and reporting standards for grant recipients. At a minimum, DCTED must use the statutory objectives and criteria to evaluate grantee progress. DCTED must submit annual reports, beginning January 1, 2009, to Legislature containing specified information and data.

Appropriation: For the Fiscal Year ending June 30, 2009:

\$10 million from the State Building Construction Account to DCTED for capital grants.

\$25 million from the Public Works Assistance Account to DCTED for capital grants.

\$5 million from the State General Fund to DCTED for technical assistance grants.

Fiscal Note: Requested on January 22, 2008.

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