

SENATE BILL REPORT

SB 6327

As Reported By Senate Committee On:
International Trade & Economic Development, January 31, 2006

Title: An act relating to financing local economic development projects.

Brief Description: Financing local economic development projects.

Sponsors: Senators Shin, Swecker, Pflug, Rockefeller, McAuliffe, Doumit, Franklin, Rasmussen, Thibaudeau, Berkey, Keiser, Schoesler, Sheldon and Fairley.

Brief History:

Committee Activity: International Trade & Economic Development: 1/24/06, 1/31/06 [DPS].

SENATE COMMITTEE ON INTERNATIONAL TRADE & ECONOMIC DEVELOPMENT

Majority Report: That Substitute Senate Bill No. 6327 be substituted therefor, and the substitute bill do pass.

Signed by Senators Shin, Chair; Sheldon, Vice Chair; Pflug, Ranking Minority Member; Doumit, Eide, Roach and Zarelli.

Staff: Jack Brummel (786-7428)

Background: Brownfield redevelopment can be an effective economic development tool. A brownfield is real estate that has actual or perceived contamination and potential for redevelopment or reuse. Brownfield sites are often abandoned or underutilized, provide little or no tax revenue, and pose a threat to public health and safety. Liability and financing concerns can discourage or impede private developers and lenders from investing in the cleanup and redevelopment of brownfields. Washington has thousands of known contaminated properties which may lay fallow indefinitely unless liability protection and incentives are created that encourage private investment.

Summary of Substitute Bill: Local jurisdictions that own brownfield sites may enter into an agreement with the Washington Economic Development Finance Authority (WEDFA) to issue bonds to finance the costs associated with cleaning up and developing a brownfield site. The agreement between the local jurisdiction and WEDFA is to require the pledging of cleanup payments from the lessee of the property to pay off the bonds. Local jurisdictions may not enter into such agreements unless they have submitted a local economic development project plan covering the property and the Department of Community, Trade, and Economic Development (CTED) has determined that it meets project criteria. They must also demonstrate that they are working with the Department of Ecology to clean up the property consistent with the requirements of the Model Toxics Control Act.

The Local Economic Development Project Financing Account is established to receive and disburse funds for the payment of bonds issued to cover project costs. Cleanup payments associated with a local economic development project are deposited in the fund until the local jurisdiction's monetary obligations are met.

Bonds issued by WEDFA to finance local project costs are payable solely out of the Local Economic Development Project Financing Account. The bonds are special obligation bonds and are not obligations of the state. The authority's agreement with a local jurisdiction will include security provisions to ensure payment of bonds and associated obligations.

Local economic development project sites that have been cleaned and are being leased are not subject to the leasehold excise tax for the period of time the lessee is making cleanup payments to pay off the bonds issued to cover project.

Substitute Bill Compared to Original Bill: Changes were made requiring notice to the Department of Revenue and demonstration that jurisdictions are working with the Department of Ecology to clean up property consistent with the requirements of the Model Toxics Control Act.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

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

Testimony For: Brownfields clean-up is good economic development. This is an additional tool to clean up brownfield sites.

Testimony Against: None.

Who Testified: PRO: Jonathan Hayes, WEDFA.