



STATE OF WASHINGTON  
DEPARTMENT OF COMMERCE

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[www.commerce.wa.gov](http://www.commerce.wa.gov)

September 13, 2021

David Schumacher  
Director, Office of Financial Management  
Post Office Box 43113  
Olympia, WA 98504-3113

Dear David:

On behalf of the Department of Commerce, I am pleased to present our Fiscal Year (FY) 2022 Supplemental Capital Budget request. As the COVID-19 pandemic continues to impact communities across the state, we've focused our proposals on the recovery goals for the state. To that end, our request includes the following initiatives:

- Collaborating with the Health Care Authority to deepen the state's investment in permanent supportive housing across ten regions of the state. Permanent supportive housing is the number one strategy for providing housing and services to those living outdoors. Our partnership with the Health Care Authority can leverage critical federal funding for people experiencing homelessness and in need of behavior health and medical services.
- Closing the gap in weatherization funding to help preserve and improve the quality of low income homes, and thus contributing to healthy families while creating jobs.
- Investing in shovel ready sites to encourage manufacturing as a key economic driver across the state. This will help grow regional economies and help achieve the bipartisan vision established last year by House Bill 1170.

Thank you in advance for your consideration of our proposals. We look forward to working with you and your team as you put together the statewide budget recommendation.

Sincerely,

Lisa Brown  
Director

# 103 - Department of Commerce Ten Year Capital Plan by Project Class

2021-23 Biennium

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Version: C3 FY22 Supplemental Budget Request V3

Report Number: CBS001

Date Run: 11/1/2021 1:50PM

**Project Class: Grant**

Agency		Estimated	Prior	Current	Reapprop	New	Estimated	Estimated	Estimated	Estimated
Priority	Project by Account-EA Type	Total	Expenditures	Expenditures	2021-23	Approp 2021-23	2023-25	2025-27	2027-29	2029-31
1	<b>40000241 Permanent Supportive Housing</b>									
	001-2 General	137,000,000				137,000,000				
	Fund-Federal									
2	<b>40000242 Renovating Low-Income Housing through Weatherization</b>									
	057-1 State Bldg	10,000,000				10,000,000				
	Constr-State									
3	<b>40000243 Regional Manufacturing Shovel Ready Site Development</b>									
	355-1 St. Bld Const	7,500,000				7,500,000				
	Acct-State									
4	<b>40000244 State Agency Compliance with Clean Buildings Law</b>									
	057-1 State Bldg	2,000,000				2,000,000				
	Constr-State									
5	<b>40000246 Economic Opportunity Grants Authority</b>									
	689-1 Rural WA Loan	1,083,000				1,083,000				
	Acct-State									
6	<b>40000247 Public Works Infrastructure</b>									
	355-1 St. Bld Const	250,000,000				250,000,000				
	Acct-State									
6	<b>40000248 Public Works Clean and Safe Water Pilot</b>									
	355-1 St. Bld Const	50,000,000				50,000,000				
	Acct-State									
6	<b>40000249 CERB Capital Program</b>									
	355-1 St. Bld Const	25,000,000				25,000,000				
	Acct-State									
6	<b>40000250 CERB Rural Broadband</b>									
	355-1 St. Bld Const	25,000,000				25,000,000				
	Acct-State									
6	<b>40000251 Public Works Broadband</b>									
	355-1 St. Bld Const	120,000,000				120,000,000				
	Acct-State									

**103 - Department of Commerce**  
**Ten Year Capital Plan by Project Class**  
 2021-23 Biennium  
 \*

**Version:** C3 FY22 Supplemental Budget Request V3

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<b>Total: Grant</b>	<b>627,583,000</b>	<b>627,583,000</b>
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**Total Account Summary**

<u>Account-Expenditure Authority Type</u>	<u>Estimated Total</u>	<u>Prior Expenditures</u>	<u>Current Expenditures</u>	<u>Reapprop 2021-23</u>	<u>New Approp 2021-23</u>	<u>Estimated 2023-25</u>	<u>Estimated 2025-27</u>	<u>Estimated 2027-29</u>	<u>Estimated 2029-31</u>
001-2 General Fund-Federal	137,000,000				137,000,000				
057-1 State Bldg Constr-State	12,000,000				12,000,000				
355-1 St. Bld Const Acct-State	477,500,000				477,500,000				
689-1 Rural WA Loan Acct-State	1,083,000				1,083,000				
<b>Total</b>	<b>627,583,000</b>				<b>627,583,000</b>				

## **Department of Commerce**

### **All Preservation Projects**

The Department of Commerce does not currently have any preservation related projects as defined in Chapter 3 of the 2021-31 Capital Budget Instructions.

## **Department of Commerce**

### **All Programmatic Projects**

The Department of Commerce does not currently have any programmatic related projects as defined in Chapter 3 of the 2021-31 Capital Budget Instructions.

## Capital Project Request - Narrative Template

### 2021-2031 Biennial Capital Budget Plan | FY22 Supplemental Budget Request

#### Section 1

Proposed Title:	<b>Permanent Supportive Housing</b>
Project Class/Type	<b>Grants/Loans</b>
Agency Activity:	<b>A159 Affordable Housing Development</b>

#### Section 2 – Additional Capital Project Request Requirements

**Starting year.** Identifies the year an agency intends to start the proposed project or expenditures for specific purposes:

Starting Year:	<b>FY 2022</b>
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**Agency summary.** This is also known as the project summary or Recsum text. Provide a brief, clear and concise description of the project, including the problem or opportunity and how the proposed project addresses it:

The Department of Commerce (department) requests funding for an additional investment in permanent supportive housing. People who are living outside and are chronically homeless are the most visible and vulnerable of the homeless population. They suffer from higher rates of poor health, mental illness, and substance use disorders, and are most frequently in need of costly government services ranging from emergency first responders to hospitalization, jail, and courts.

**Project description.** Describe the proposed project. Provide answers to the following questions, which will inform decision makers about the proposed project.

Capital funding aligned with Health Care Authority (HCA) service funding will acquire and renovate or construct new units for Housing First and Permanent Supportive Housing programs in each of the Health Care Authority ten regional service areas. This will include construction and/or acquisition of multiple units for chronically homeless, very low-income individuals and families with behavioral health conditions whose income does not exceed thirty percent of the median income for the area. There is a corresponding request of funding by HCA for rental subsidies, training, service provision and ongoing staffing. This will also create a regional infrastructure to provide housing services to employ a quality Housing First Model statewide and to meet immediate housing needs. Behavioral health and medical services will be embedded within the Permanent Supportive Housing/Housing First programs.

1. Identify the problem or opportunity addressed. Why is the request a priority? This narrative should identify unserved/underserved people or communities, operating budget savings, public safety improvements, or other backup necessary to understand the need for the request. For preservation projects it is helpful to include information about the current condition of the facility or system.

Washington State has been and continues to experience a housing crisis. The Office of Financial Management contracted with Public Consulting Group, Inc. to establish a Behavioral Health Statewide Plan, as required by Section 1022 of the 2018 supplemental capital budget (Chapter 298, Laws of 2018). One of the key findings in the report identified that "Increased property and rent values have exacerbated the need for affordable, supportive housing options. For individuals living with behavioral health conditions, housing is key to stability and continued recovery. However, shelters can be triggering for individuals with serious mental illness, and most do not accept individuals who are current substance users. Many of the individuals we interviewed voiced support for additional Housing First model facilities,

which do not require sobriety as a condition of admittance.” The report goes on to report that the housing methodology yielded an unmet need of 228 beds per 100,000 population or 16,885 beds (2018).

Each year the U.S. Department of Housing and Urban Development (HUD) and Washington State require a statewide count of all persons staying in temporary housing programs (sheltered count) and places not meant for human habitation (unsheltered count). According to the 2020 Point In Time count (PIT) there was a total of 22,923 individuals homeless on a single day. Of that number, 10,814 were unsheltered or living in places not meant for human habitation. Individuals who self-identified on the PIT count as having a serious mental illness or a substance use disorder were 6,609 (4,743 unsheltered) 5,298 (3,873 unsheltered) respectively. The numbers reflected in the annual PIT count are likely to reflect less than the actual number of individuals who are unsheltered.

While this might seem to support sheltering as an effective strategy, when one considers the much higher operational costs of shelter and impacts on other governmental systems (such as emergency response, hospitals, courts, and law enforcement), it should be noted that investments in temporary shelter come with an extremely high operating cost relative to permanent supportive housing – a cost that can be invisible to capital budget writers. Earlier this year, a U.S. Department of Housing and Urban Development, commissioned study found lack of affordable housing to be a main driver of unsheltered homeless. The same analysis found that four cities — Chicago, Houston, San Jose and Tacoma — spent between \$3.93 million and \$8.56 million a year on encampment removal activities, with Tacoma spending the most per unsheltered person. ([Seattle Times](#)).

A 2020 University of Washington study in King County demonstrates the shelter de-intensification strategy limited the spread of COVID-19 among individuals moved to hotel locations as compared to those who stayed in congregate settings. The key strategies for this independent living are similar to permanent supportive housing, providing: designated personal space (private bed and bath), security procedures designed to keep guests safe, consistent access to food, consistent storage of personal belongings, and increased time and autonomy associated with 24/7 shelter access. This project effectively lessened COVID risk and provided a more stable shelter experience but people experiencing homelessness need permanent supportive housing to avoid returning to the streets.

2. What will the request produce or construct (i.e., predesign or design of a building, construction of additional space, etc.)? When will the project start and be completed? Identify whether the project can be phased, and if so, which phase is included in the request. Be prepared to provide detailed cost backup.

For this request, the department will receive applications from credible projects by September 2022 of this fiscal year, and will coordinate with HCA to determine the best proposals eligible for the \$137 million in capital funding. The department anticipates funding these projects with limited involvement from other public funders, thereby expediting the timeline for development. Fully funding a project will save 6-12 months over the course of the development cycle with projects opening in the middle of 2024.

With the new funding made available from HB1277, the department established a Permanent Supportive Housing Operating, Maintenance and Services fund that can be used to cover the operating gap that exists at PSH developments. These projects will only be available with these funds, and the department will allocate up to \$5 million per fiscal year from new funding for these units.

This request will allow HCA to work closely with the Department of Commerce to allocate housing capital, operating subsidies and services in each of the regional service areas. A dedicated HCA position embedded in the Department of Commerce will act as a liaison between the Housing Trust Fund and HCA's Foundational Community Support Services and the Medicaid Policy Division which oversees the contracts with managed care organizations and behavioral health administrative services organizations.

3. How would the request address the problem or opportunity identified in question #1? What would be the result of not taking action?

Construction of shelters with time-limitations mean that the individual is still by definition homeless. Inaction means that homeless individuals will continue encountering the homeless system through a revolving door returning to the streets after short-term stays in shelters, emergency rooms or jails.

Capital investments in affordable housing development have a comprehensive impact on the state's housing system, and when targeted appropriately reduces homelessness, increases health and wellness, reduce our state's affordable housing gap, creates living wage jobs, and generate revenues to local communities. The construction and rehabilitation of affordable housing projects benefits the construction industry, and the availability of affordable housing helps to attract businesses to project areas, resulting in yet additional job creation. Access to stable housing has been shown to improve overall job stability, increase educational attainment, and reduce health problems in our communities.

4. What alternatives were explored? Why was the recommended alternative chosen? Be prepared to provide detailed cost backup. If this project has an associated predesign, please summarize the alternatives the predesign considered

The Housing Trust Fund (HTF) is an established mechanism for providing affordable housing for Washingtonians. In its more than 35 years of existence, the HTF has played a role in the creation of more than 55,000 affordable housing units statewide. HTF primarily administers funding appropriated through the capital budget State Taxable Building Construction Fund (Fund 355) and State Building Construction Account (Fund 057). These represent long-term investments which match the long-term compliance period of the Housing Trust Fund. As such, the program handbook provides guidelines that ensure quality developments in high opportunity areas with cultural sensitivity are produced. The pipeline is highly competitive, and results in investments that are monitored for 40-50 Years. Unless directed by the Legislature, the department does not waive compliance with Executive Order 21-02, Evergreen Sustainability Design Standards, Prevailing Wage or other state or national requirements. These are intended to protect the state's investment and the end user, and to compliment other public funder's interests.

As an alternative, the Rapid Capital Housing Acquisition program attempted to expedite the creation of affordable housing units and shelters. This funding mechanism yields positive results but is inhibited by the lack of capacity from local developers and funders to properly site these projects, and to perform an appropriate construction and environmental feasibility. The Traditional HTF program allows for all of the strategies proposed by the developers, and protects the end-user from moving into sub-standard housing units or in areas of low desirability/opportunity. Due to the limitations on federal funds, the department recommends using the traditional HTF process but expediting projects by providing full funding for these specific projects.

If federal funds in excess of \$137 million are considered, the department proposes that one-time federal stimulus funds be used to fill the deficit of 165,345 units of affordable housing stock in Washington State through the acquisition and preservation of existing housing units (Naturally Occurring Affordable Housing) and acquisition and renovation of limited temporary and emergency shelters.. The department will prepare program terms and guidelines that suit these three purposes, but cannot waive aforementioned requirements without legislative guidance.

5. Which clientele would be impacted by the budget request? Where and how many units would be added, people or communities served, etc.

This request will result in projects creating approximately 500 units of affordable housing statewide for low-income households and people with special needs. Projects will be built to the Evergreen Sustainable Development Standard, which requires resource efficiency and cultural sensitivity be incorporated into design, construction, and operations. Once homes are occupied, they will continue to provide benefits to the community through ongoing local economic activity, neighborhood stabilization, and reduced demand



for health care and other costly emergency services. These homes will benefit low income individuals for 25-50 years making the impact last generations.

6. Will other funding be used to complete the project? How much, what fund source, and could the request result in matching federal, state, local, or private funds?

HTF proposes that federal funds be used as the sole source, if permitted by Treasury, to expedite the creation of these high need housing units. Modest local matching funds will be used as available, but the intention is to design these well and build them fast.

7. Describe how this project supports the agency's strategic master plan or would improve agency performance. Reference feasibility studies, master plans, space programming, and other analyses as appropriate.

The 2021-2023 Commerce Strategic plan is rooted in three focus areas: Economic Recovery, Equity and Community Development. This proposal specifically contributes to all three focus areas in the following ways in Commerce's plan:

- Prioritizing investment in underserved and vulnerable communities helping them access needed resources.
- Increase affordable and available housing.
- Reduce homelessness

This request also supports the Governor's Results Washington Goal 4: Healthy and Safe Communities, by helping the most vulnerable people become independent and self-sufficient. Affordable housing also promotes Goal 2: Prosperous Economy, by generating quality jobs and creating vibrant communities. This request will have a large impact adding an average of more than 500 affordable housing units to current stock each quarter beginning in 2024

8. For IT-related costs:

- Does this project fund the development or acquisition of a new or enhanced software or hardware system or service?
- Does this decision package fund the acquisition or enhancements of any agency data centers? (See [OCIO Policy 184](#) for definition.)
- Does this decision package fund the continuation of a project that is, or will be, under OCIO oversight? (See [OCIO Policy 121](#).)

N/A

If the answer to any of these questions is yes, continue to the IT Appendix and follow the directions to meet the requirements for OCIO review.

9. If the project is linked to the Puget Sound Action Agenda, describe the impacts on the Action Agenda, including expenditure and FTE detail. See Chapter 13 (Puget Sound Recovery) in the 2019-21 Operating Budget Instructions.

N/A

10. Does this project contribute to statewide goals to reduce carbon pollution and/or improve energy efficiency? If yes, please elaborate.

All awards for new construction/renovation projects must meet the Evergreen Sustainable Development Standard.

11. Does this project mitigate the effects of climate change and strengthen the resiliency of communities and the natural environment? If yes, please elaborate.

N/A

12. Is there additional information you would like decision makers to know when evaluating this request?

The \$350 million record investment in affordable housing and supports in the 2021-23 Capital and Operating Budgets is a significant investment with the overall size however, one-third of the investments were allocated for Rapid Capital Housing Acquisition, which had restrictions blocking a majority of projects that are in the pre-development period from this resource (Refer to Stage 1 Applications, March, 2021 in Attachment A). Applicants identified 159 projects representing 8,772 new homes are in development and in need of funds from Commerce over the next twenty-four months. These projects estimated a request of approximately \$396 million and \$2.4 Billion in housing development activities, but will not be eligible for Rapid Capital Housing Acquisition funds because they are building new or completing substantial renovations to prepare for 40 years of affordability. Existing resources will be able to fund less than half of these projects, which means 80 developments, representing more than 8700 homes, will have earned community support, invested in plans and allocated staff time with no near-term reward. Additional funding in the Traditional HTF investment pool adds resources for use by these projects and quickens the pace at which Washington addresses its dire housing needs.

**RCW that establishes grant (if applicable):** RCW 43.185 and 43.185A

**Application process used (grants; if applicable):** These funds are distributed using a competitive funding process based on HTF's legislative priorities (see RCW 43.185 and RCW 43.185A). The governing legislation requires that 30 percent of the resources go to rural communities (unless Commerce does not receive enough suitable rural applications) and that priority be given to preserve existing privately owned housing stock. It also requires that preference is given to projects that leverage other funds, demonstrate ability by the applying organization to remain stable, and serve the greatest need and lowest income populations. Funding decisions are carefully coordinated with other funding sources such as the Washington Housing Finance Commission (HFC) and local (city and county) and federal government agencies. Final award decisions are reviewed and approved by the Commerce Director. These process have evolved in recent years and will be formalized with a second competitive round each year to improve the chances for contractors and remedy delays experienced by a single round.

**Is a project list available? If so, please attach and/or include this information.**

**Expenditure calculations and assumptions** – *Display the calculations (e.g., unit costs and formulas) used to arrive at expenditure and workload estimates connected with the Capital Project Request. Clearly identify the factual basis of any policy or workload assumptions and how the cost estimates are derived from these assumptions.*

**Estimated Total Expenditures:**

Account	2021-2023	2023-2025	2025-2027	2027-2029	2029-2031
Federal	\$137,000,000	-	-	-	-
<b>Total</b>	<b>\$137,000,000</b>				

**FTE's: (Fund)**

FTEs	2021-2023	2023-2025	2025-2027	2027-2029	2029-2031
Fund					
<b>Total</b>					

Contact	
Preparer Name:	Nate Lichti
Assistant Director Approval?	<input type="checkbox"/>
Preparer phone number:	360-485-2136
Date:	7/28/2021

Washington State Housing Trust Fund  
2021 and 2022 Funding Cycles  
Pre-Applications Received

MULTIFAMILY PROJECTS

Project Year	Applicant	Project	City	County	Legislative District	Activity Type	General Low Income	Families with Children	Developmental Disabilities	Physical Disabilities	Disabled	Chronic Mental Illness	Substance Abuse Disorder	Multiple Special Needs	Domestic Violence	Youth Under 18	Young Adults 18-24	Veterans	Seniors	Farmworkers - Permanent	Farmworkers - Seasonal	TOTAL LOW-INCOME UNITS/BEDS	Units Set-Aside for Homeless (included in TOTAL)	Low-Income Units (included in TOTAL)	Low-Income Beds (included in TOTAL)	Common Area/ Resident Manager Units	Market-Rate Units	HTF Request	Total Development Cost (TDC)	
																													LIHTC	4%
2021	BRIDGE Housing Corporation	Coronado Springs Phase 3	Seattle	King	34	NC		40			22							23				85	18% (15)	85		1		\$ 5,000,000	\$ 38,431,114	4%
2021	Catholic Charities Housing Services	Grant County Scattered Sites	Mattawa, Warden, Quincy	Grant	12,13	HUD, LIHTC, P, R, RED	23													70		93		93		2		\$ 2,950,000	\$ 18,339,345	9%
2021	Catholic Housing Services of Western Washington	Greenwood Supportive Housing	Seattle	King	36	A	66															66	100% (66)	66				\$ 5,000,000	\$ 20,668,426	
2021	Columbia Non-Profit Housing	Laurel Manor	Vancouver	Clark	49	NC					30								50			80	15% (12)	80				\$ 5,000,000	\$ 18,500,000	9%
2021	Commonwealth Agency, Inc.	Turnbull Place	Cheney	Spokane	6	NC	70	24			24											118		118		2		\$ 3,500,000	\$ 26,400,000	4%
2021	Commonwealth Agency, Inc.	Turnbull Townhomes	Cheney	Spokane	6	NC	36	35														71	51% (36)	71		1		\$ 2,700,000	\$ 17,940,000	9%
2021	Community Frameworks	Highland Village Phase 2	Airway Heights	Spokane	6	NC	38	20														58		58				\$ 3,000,000	\$ 16,347,939	9%
2021	Community House	Shelter and Services for Homeless Families and Individuals	TBD	Grays Harbor	19,24	A, AR, R, RED	50															50	100% (50)		50			\$ 1,000,000	\$ 2,000,000	
2021	Community Roots Housing	White Center HUB Affordable Housing Project	Seattle	King	34	A, NC		76														76		76				\$ 3,000,000	\$ 50,967,707	4%
2021	Community Roots Housing	Youth Care South Annex	Seattle	King	43	NC, RED	72										15					87	17% (15)	87				\$ 5,000,000	\$ 56,419,162	4%
2021	didg*alic Wellness Center	didg*alic Wellness Center Transitional Housing Project	Anacortes	Skagit	10	NC							96									96	100% (96)	96				\$ 10,000,000	\$ 49,976,475	
2021	Downtown Emergency Service Center	DESC Burien	Burien	King	34	A, NC						50		20				25				95	100 % (95)	95				\$ 3,000,000	\$ 30,246,658	9%
2021	El Centro de la Raza	Columbia City	Seattle	King	37	NC		75														75		75				\$ 4,000,000	\$ 35,624,028	4%
2021	Friends of Youth	New Ground Kirkland	Kirkland	King	48	NC, P																23		23				\$ 1,760,056	\$ 5,131,535	
2021	Ginn Gives	Tapestry Square	Vancouver	Clark	17,49	NC	75															75		75				\$ 1,500,000	\$ 12,550,000	4%
2021	Group Action for Peninsula People	Manzanita Home	Bainbridge Island	Kitsap	23	P			6													6		6				\$ 342,600	\$ 342,600	
2021	Group Action for Peninsula People	GAPP Home I	Gig Harbor	Pierce	26	P			5													5				5		\$ 179,000	\$ 179,000	
2021	Group Action for Peninsula People	GAPP Home II	Tacoma	Pierce	29	P			4													4				4		\$ 210,000	\$ 210,000	
2021	Group Action for Peninsula People	GAPP Home III	Puyallup	Pierce	25	P			3													3				3		\$ 180,000	\$ 180,000	
2021	HopeSource	Englewood Housing	Yakima	Yakima	14	LIHTC, R													256			256		256		1		\$ 3,000,000	\$ 43,170,681	4%
2021	Housing Authority of Chelan County and the City of Wenatchee	Bavarian Village Apartments	Leavenworth	Chelan	12	A, P, R, USDA	24															24		24				\$ 2,682,927	\$ 4,994,927	
2021	Housing Authority of Chelan County and the City of Wenatchee	Malaka Ridge	Malaga	Chelan	12	NC	128															128						\$ 5,200,000	\$ 5,200,000	
2021	Housing Authority of Okanogan County	Pateros Gardens Phase II	Pateros	Okanogan	12	R	16															16		16				\$ 3,807,391	\$ 3,807,391	
2021	Housing Authority of the City of Bellingham	Varsity Village	Bellingham	Whatcom	40	R	101															101		101				\$ 1,500,000	\$ 1,500,000	
2021	Housing Authority of the City of Othello	Othello Housing Authority Permanent Farmworker	Othello	Adams	9	NC														40		40		40				\$ 5,000,000	\$ 12,968,144	9%
2021	Housing Authority of the City of Yakima	Cosecha Court II Phase III	Granger	Yakima	15	NC														64		64						\$ 3,000,000	\$ 3,322,009	
2021	Housing Authority of the City of Yakima	Fruitvale Housing	Yakima	Yakima	14	NC, RED	54															54	50% (27)	54				\$ 3,000,000	\$ 15,588,793	9%
2021	Housing Authority of Whatcom County	Everson Meadows	Everson	Whatcom	42	R, USDA														24		24		24				\$ 2,500,000	\$ 2,500,000	
2021	Housing Resources Bainbridge	Wyatt & Madison	Bainbridge Island	Kitsap	23	A	10				3											13		13				\$ 1,625,000	\$ 4,085,500	
2021	Interim Community Development	Eastern Hotel	Seattle	King	37	LIHTC, P, R	36				10											46		46		1		\$ 2,000,000	\$ 15,911,239	4%
2021	Kelso Housing Authority	Willow Grove	Kelso	Cowlitz	19	NC	30															30	50% (15)	30				\$ 4,250,000	\$ 10,618,000	9%
2021	King County Housing Authority	Illahee Apartments	Bellevue	King	48	A, R	22	14														36		36				\$ 2,160,000	\$ 17,218,200	
2021	Kitsap Community Resources	Manette Housing Project	Bremerton	Kitsap	23	NC		9														9	100% (9)	9				\$ 2,500,000	\$ 3,817,665	
2021	Korean Women's Association	15th & Tacoma	Tacoma	Pierce	27	A, NC, RED												24	60			84	29% (24)	84		1		\$ 5,000,000	\$ 35,424,755	4%
2021	Life Enrichment Options	LEO @ Trailhead	Issaquah	King	5	A, NC			5													5				5		\$ 250,000	\$ 800,000	
2021	Lifeline Connections	Lifeline Connections - Recovery Housing	Vancouver	Clark	17,49	NC							15	15								30	100% (30)	30				\$ 5,000,000	\$ 6,120,000	
2021	Lifewire	Hope Starts Here	Bellevue	King	41,48	NC, R, RED									25							25	100% (25)	25				\$ 2,500,000	\$ 12,470,950	
2021	Longview Housing Authority/Housing Opportunities of SW Washington	38th and Pennsylvania	Longview	Cowlitz	19	MOD, NC	24	24														48	50% (24)	48				\$ 3,000,000	\$ 13,104,000	9%
2021	Low Income Housing Institute	Auburn Manor	Auburn	King	31	P, R		24														24		24		1		\$ 1,000,000	\$	

Washington State Housing Trust Fund  
2021 and 2022 Funding Cycles  
Pre-Applications Received

2021	The Hand Up Project	The Hand Up Project	TBD	Snohomish	tbd	A	3										4	7										100% (7)	7	\$ 954,694	\$ 984,694		
2021	The Moore Wright Group	The Moore Wright Group 1	Aberdeen	Grays Harbor	19	A, R	4										4										\$ 1,010,000	\$ 1,150,000					
2021	The Moore Wright Group	The Moore Wright Group 2	Aberdeen	Grays Harbor	19	A, NC, TH	5										10	12	10										37	100% (37)	37	\$ 1,500,000	\$ 2,495,000
2021	The Moore Wright Group	The Moore Wright Group 3	Aberdeen	Grays Harbor	19	A, R											3	6											9	100% (9)	9	\$ 400,000	\$ 540,000
2021	The Moore Wright Group	The Moore Wright Group 4	Aberdeen	Grays Harbor	19	A, R	4										4										4		4	\$ 1,010,000	\$ 1,150,000		
2021	Tri-County Community Health Fund	Hope Street Shelter	Colville	Stevens	7	NC	3										3										100% (3)	3	\$ 224,000	\$ 250,000			
2021	Trillium Housing Services	Hilltop II	Wenatchee	Chelan	12	NC											57										57		57	1	\$ 5,000,000	\$ 14,844,100	4%
2021	Vancouver Housing Authority	Battle Ground	Battle Ground	Clark	18	NC	70										70										13% (9)	70	\$ 5,000,000	\$ 23,050,000	4%		
2021	Volunteers of America of Eastern Washington and Northern Idaho	VOA Crosswalk	Spokane	Spokane	3	NC											18										18	36	100% (36)	36	\$ 4,500,000	\$ 17,369,680	
2021	Volunteers of America Western Washington	Volunteers of America Western Washington TBD	Lynnwood	Snohomish	32	NC	44										22										22	88		88	\$ 4,750,000	\$ 51,019,782	4%
2021	Washington Growers League	Mattawa Slope III	Mattawa	Grant	13	NC											192										192		192		\$ 9,165,584	\$ 10,015,584	
2021	Yakama Nation Housing Authority	TC8 Wishram	Wishram	Klickitat	14	A, NC	23										23										100% (23)	23	1	\$ 3,000,000	\$ 20,526,377	9%	
2021 Multifamily/Rental Projects					86	Applications	1928	1034	54	60	248	59	135	48	43	18	86	199	1020	218	304	5454	1275	4680	774	33	0	\$ 242,592,420	\$ 1,440,355,736				

Project Year	Applicant	Project	City	County	Legislative District	Activity Type	General Low Income	Families with Children	Developmental Disabilities	Physical Disabilities	Disabled	Chronic Mental Illness	Substance Abuse Disorder	Multiple Special Needs	Domestic Violence	Youth Under 18	Young Adults 18-24	Veterans	Seniors	Farmworkers - Permanent	Farmworkers - Seasonal	TOTAL LOW-INCOME UNITS/BEDS	Units Set-Aside for Homeless (included in TOTAL)	Low-Income Units (included in TOTAL)	Low-Income Beds (included in TOTAL)	Common Area/ Resident Manager Units	Market-Rate Units	HTF Request	Total Development Cost (TDC)	LIHTC
2022	American Legion Post 150	Veteran Housing and Resource Center	Raymond	Pacific	19	AR, R, RED	10				4											14		14				\$ 1,110,000	\$ 2,840,000	
2022	Archdiocesan Housing Authority	Old Town Workforce Housing	Bellingham	Whatcom	42	NC	80															80		80				\$ 5,000,000	\$ 25,680,800	9%
2022	A.R.I.S.E. Ever-Living Community Development	Ever-Living Community Development	Everett	Snohomish	21	A, NC, RED	10	20														30		30				\$ 4,000,000	\$ 17,600,000	9%
2022	Bellwether Housing	Affordable Housing at North Seattle College	Seattle	King	46	NC		180									20					200	28% (56)	200				\$ 5,000,000	\$ 106,774,897	4%
2022	Bridge Meadows	Bridge Meadows Tacoma	Tacoma	Pierce	27	A, NC		16											54			70		70				\$ 5,000,000	\$ 30,229,025	9%
2022	Catholic Charities Housing Services	Yakima East	Yakima	Yakima	14	NC	20							20								40	50% (20)	40				\$ 5,000,000	\$ 11,239,248	9%
2022	Christian Aid Center	Walla Walla Shelter for Men	Walla Walla	Walla Walla	16	NC								40								40	100% (40)		40			\$ 3,400,000	\$ 4,592,000	
2022	Columbia Non-Profit Housing	Senior Portfolio - PRAC to RAD Renovation	Vancouver	Clark	49	A, R													208			208		208		4		\$ 5,000,000	\$ 11,000,000	
2022	Community Frameworks	Community Frameworks TBD	Spokane	Spokane	3	NC	15	5			15											35		35				\$ 5,000,000	\$ 6,488,750	
2022	Council For The Homeless	The Bryson	TBD	Clark	17,18,49	NC								25								25	100% (25)	25				\$ 5,000,000	\$ 5,603,592	
2022	Downtown Emergency Service Center	DESC TBD	TBD	King	tbd	A, NC						60		40								100	100% (100)	100				\$ 3,000,000	\$ 32,000,000	9%
2022	Housing Authority of the City of Vancouver	Lieser School Multifamily Development	Vancouver	Clark	49	NC, RED	100															100		100				\$ 5,000,000	\$ 28,950,000	4%
2022	Housing Authority of Skagit County	Farmview Village	Burlington	Skagit	40	NC	31															31		31				\$ 3,000,000	\$ 10,750,000	9%
2022	Housing Opportunities of SW Washington	Ocean Beach Apartments	Longview	Cowlitz	19	A, NC	10	70														80	20% (16)	80				\$ 5,000,000	\$ 34,131,736	9%
2022	Housing Resources Bainbridge	Erickson Cottages	Bainbridge Island	Kitsap	23	COT, NC	16															16		16				\$ 2,000,000	\$ 5,276,007	
2022	Housing Resources Bainbridge	Island Terrace	Bainbridge Island	Kitsap	23	LIHTC, P, R, USDA	47															47		47		1		\$ 1,680,000	\$ 2,730,000	
2022	Joint Pacific County Housing Authority	Willapa Landing	South Bend	Pacific	19	A, HUD, R	26															26		26				\$ 1,889,125	\$ 3,268,125	
2022	Housing Authority City of Kennewick	KHA Public Housing Repositioning	Kennewick	Benton	8	AR, HUD, NC, R	190															190		190				\$ 5,000,000	\$ 31,840,660	4%
2022	King County Housing Authority	Kirkland Heights Apartments	Kirkland	King	45	A, HUD, NC, R		308														308		308				\$ 5,000,000	\$ 102,548,544	4%
2022	King County Housing Authority	Trailhead Apartments	Issaquah	King	5	A, NC	100	68														168		168				\$ 3,000,000	\$ 70,190,703	4%
2022	Low Income Housing Institute	Lincoln District - Phase 1	Tacoma	Pierce	27	NC													64			64	52% (33)	64		1		\$ 4,000,000	\$ 20,300,000	9%
2022	Housing Authority of the City of Othello	Othello Seasonal Farmworker Housing	Othello	Adams	9	NC															72				72			\$ 5,000,000	\$ 5,000,000	
2022	Parkview Services	Parkview Homes XVI - Spokane	Spokane	Spokane	3	A, R			3		3											6			6			\$ 1,215,102	\$ 1,220,102	
2022	Parkview Services	Parkview Homes XXII - Graham #2	Graham	Pierce	2	NC			4													4			4			\$ 718,265	\$ 720,265	
2022	Pioneer Human Services	Spokane Redevelopment	Spokane	Spokane	3	AR, NC, R, RED	55															55		55				\$ 5,000,000	\$ 12,500,000	
2022	Pioneer Human Services	Tacoma Redevelopment	Tacoma	Pierce	27	AR, NC, R, RED	100															100		100				\$ 5,000,000	\$ 25,500,000	
2022	Plymouth Housing	Pacific Apartments - Marion Street	Seattle	King	43	R	95										15					110	100% (110)	110		1	2	\$ 3,000,000	\$ 14,190,000	9%
2022	Plymouth Housing	Pacific Apartments - Stewart Street	Seattle	King	36	R	80										5					85	100% (85)	85		3		\$ 3,000,000	\$ 14,690,000	9%
2022	Plymouth Housing	Plymouth King County Supportive Housing	TBD	King	tbd	NC	82				15											97	100% (97)	97		3		\$ 3,000,000	\$ 34,100,000	9%
2022	Providence Health & Services - Washington	Olympia Providence House	Olympia	Thurston	22	NC	92															92	100% (92)	92				\$ 4,000,000	\$ 26,349,444	9%
2022	Tacoma Housing Authority	1500 Hillside Terrace	Tacoma	Pierce	27	LIHTC, RED													53			53		53				\$ 2,000,000	\$ 21,849,798	9%
2022	Tacoma Housing Authority	James Center North 4%	Tacoma	Pierce	28	NC, RED	80															80		80				\$ 5,000,000	\$ 26,648,328	9%
2022	Tacoma Housing Authority	James Center North 9%	Tacoma	Pierce	28	NC, RED	62															62		62				\$ 2,000,000	\$ 20,238,991	9%
2022	Vancouver Housing Authority	VHA Townhomes	Vancouver	Clark	17,49	R	122															122		122				\$ 3,000,000	\$ 16,400,000	9%
2022	White River Senior Services	White River Senior Services	Buckley	Pierce	31	NC	9															9		9				\$ 1,500,000	\$ 1,500,000	
2022 Multifamily/Rental Projects					35	Applications	1432	667	7	0	19	78	0	125	0	0	20	20	379	0	72	2819	674	2697	122	13	2	\$ 125,512,492	\$ 784,941,015	
2021 and 2022 Multifamily/Rental Projects					121	Applications	3360	1701	61	60	267	137	135	173	43	18	106	219	1399	218	376	8273	1949	7377	896	46	2	\$ 368,104,912	\$ 2,225,296,751	

ACTIVITY TYPES  
A = Acquisition  
AR = Adaptive Reuse  
COT = Specialty Configuration - Cottages  
HUD = Preservation of a HUD-funded property  
LIHTC = Refinance/Resyndication of Expiring Tax Credit Property  
MOD = Specialty Construction - Modular  
NC = New Construction  
P = Preservation of a HTF-funded property  
R = Rehabilitation  
RED = Redevelopment  
TH = Specialty Configuration - Tiny Homes  
USDA = Preservation of a USDA-funded property

Washington State Housing Trust Fund  
2021 and 2022 Funding Cycles  
Pre-Applications Received

HOMEOWNERSHIP PROJECTS

Project Year	Applicant	Project	City	County	Legislative District	Model Type	Activity Type	Low-Income Units	Market-Rate Units	HTF Request	Total Development Cost
2021	Catholic Charities Housing Services	Yakima West	Yakima	Yakima	14	RLF, SE	A, NC	28		\$ 500,000	\$ 6,439,954
2021	Evergreen Habitat for Humanity	Johnson Village Neighborhood	Vancouver	Clark	17	CLT, RLF, SE	NC	9		\$ 540,000	\$ 2,544,500
2021	South Puget Sound Habitat for Humanity	Longmire Phase 1	Yelm	Thurston	2	SE	NC	8		\$ 640,000	\$ 4,224,882
2021	Habitat for Humanity of Island County	Ely Street Townhomes	Oak Harbor	Island	10	CLT, SE	LA, NC	3		\$ 360,000	\$ 926,616
2021	Habitat for Humanity of Island County	Holmes Harbor House #64	Freeland	Island	10	CLT, SE	LA, NC	1		\$ 120,000	\$ 284,255
2021	Habitat for Humanity Kittitas County	Water/Bender - Kittitas	Ellensburg	Kittitas	13	CLT, SE	DPA, NC	18		\$ 1,500,000	\$ 4,782,057
2021	Habitat for Humanity Seattle-King County	Burien - Miller Creek	Burien	King	33	CLT, SE	LA, NC	40		\$ 2,000,000	\$ 14,434,275
2021	Habitat for Humanity Spokane	Habitat for Humanity DPA	Deer Park, Spokane	Spokane	3,7	SE, DPA	DPA	22		\$ 880,000	\$ 4,785,000
2021	Tacoma/Pierce County Habitat for Humanity	Proctor, Trafton, Boat Street, & Sherwood	Tacoma, Lakewood	Pierce	27,28,29	CLT, SE	DPA, NC	43		\$ 2,150,000	\$ 12,605,000
2021	Tri-County Partners Habitat for Humanity	Cedar Ave	Pasco	Franklin	16	SE	A, NC	3		\$ 223,286	\$ 223,286
2021	Tri-County Partners Habitat for Humanity	E Alvina St	Pasco	Franklin	16	SE	A, NC	7		\$ 666,000	\$ 771,000
2021	Homeownership Center Northwest	Lakewood Landing	Lakewood	Pierce	28	DPA	DPA	10	7	\$ 400,000	\$ 6,660,000
2021	Homeownership Center Northwest	Scattered Site DPA	Lakewood	Pierce	28	DPA	DPA	8		\$ 480,000	\$ 2,680,000
2021	Homes and Hope Community Land Trust	Scattered Site Large Home Acquisition	TBD	Snohomish	tbd	CLT, DPA	A, DPA	5		\$ 316,360	\$ 2,536,360
2021	HomeSight	HomeSight Revolving Loan Fund	TBD	Multiple	tbd	RLF	DPA	16		\$ 520,000	\$ 7,315,000
2021	Housing Resources Bainbridge	Wintergreen Townhomes	Bainbridge Island	Kitsap	23	CLT, DPA	DPA	30		\$ 1,500,000	\$ 9,900,000
2021	Kulsan Community Land Trust	Birchwood/LaFreniere Court	Bellingham	Whatcom	42	CLT	DPA, NC	9		\$ 450,000	\$ 2,290,328
2021	Kulsan Community Land Trust	Scattered Site Acquisition Program	TBD	Whatcom	40,42	CLT, DPA	A, DPA	10		\$ 500,000	\$ 4,220,000
2021	Peninsula Housing Authority	Shane Place	Port Angeles	Clallam	24	DPA	DPA	12		\$ 240,000	\$ 2,820,000
2021	Reparations Law	Clallam Cooperative Community	TBD	Clallam, Jefferson	24	SE, DPA, Other	DPA, COT, LA, NC	10		\$ 1,500,000	\$ 2,625,940
2021	San Juan Community Home Trust	Holliwalk Neighborhood	Friday Harbor	San Juan	40	CLT	NC	5	3	\$ 250,000	\$ 3,778,759
2021	Sean Humphrey House	Karen Durham House	Bellingham	Whatcom	40,42	DPA, Other	A	8		\$ 650,000	\$ 1,000,000
2021	Tri-County Community Health Fund	Hope Street Homeownership Cottages	Colville	Stevens	7	Other	COT, NC	12		\$ 1,380,000	\$ 1,480,000
2021	Vision Hope Center	Vision Hope Home Project	Everett	Snohomish	38	DPA	A, DPA, R	20		\$ 550,000	\$ 550,000
2021	Whatcom Home Co-op Association	Whatcom Home Co-op	Bellingham	Whatcom	40,42	CLT, DPA, Other	A, DPA	16		\$ 800,000	\$ 4,800,000
2021	Yakima Valley Partners Habitat for Humanity	Downpayment Assistance	Sunnyside, Buena, Yakima	Yakima	14,15	DPA	DPA	6		\$ 240,000	\$ 1,050,000
2021 Homeownership Projects					26	Applications		359	10	\$ 19,355,646	\$ 105,727,212

Project Year	Applicant	Project	City	County	Legislative District	Model Type	Activity Type	Low-Income Units	Market-Rate Units	HTF Request	Total Development Cost
2022	South Puget Sound Habitat for Humanity	73rd Ave Phase 2	Tumwater	Thurston	22	SE	NC	14		\$ 840,000	\$ 5,410,926
2022	South Puget Sound Habitat for Humanity	Longmire Phase 1	Yelm	Thurston	2	SE	NC	8		\$ 600,000	\$ 4,224,882
2022	South Puget Sound Habitat for Humanity	Longmire Phase 2	Yelm	Thurston	2	SE	NC	6		\$ 1,240,000	\$ 4,224,882
2022	Habitat for Humanity of East Jefferson County	Port Townsend/East JeffCo Scattered Site	Port Townsend, TBD	Jefferson County	24	DPA	DPA	16		\$ 880,000	\$ 4,320,000
2022	Habitat for Humanity of Island County	Heron Park	Langley	Island	10	CLT, SE	LA, NC	4		\$ 480,000	\$ 1,306,496
2022	Habitat for Humanity Seattle-King County	14th Avenue - Green Canopy	Seattle	King	43	CLT, SE	LA, NC	17		\$ 850,000	\$ 5,543,740
2022	Tri-County Partners Habitat for Humanity	Mt Adams View Dr	West Richland	Benton	8	SE	A, LA, NC	8		\$ 945,428	\$ 945,428
2022	HomeSight	HomeSight Revolving Loan Fund	TBD	Multiple	tbd	RLF	DPA	21		\$ 645,000	\$ 9,065,000
2022	Lopez Community land Trust	Lopez Island Co-op Housing	Lopez Island	San Juan	40	CLT, SE	COT, MOD, NC	5		\$ 250,000	\$ 1,549,000
2022	Parkview Services	Parkview Homeownership 10	TBD	TBD	tbd	RLF, DPA	DPA	25		\$ 1,500,000	\$ 12,425,000
2022	Vancouver Affordable Housing	Lieser School Townhome Project	Vancouver	Clark	49	CLT, DPA	DPA, NC	8		\$ 480,000	\$ 3,200,000
2022	Housing Authority of the City of Yakima	Milroy Park Single Family	Yakima	Yakima	14	DPA, Other	A, MOD, NC	8		\$ 480,000	\$ 2,065,200
2022 Homeownership Projects					12	Applications		140	0	\$ 9,190,428	\$ 54,280,554
2021 and 2022 Homeownership Projects					38	Applications		499	0	\$ 28,546,074	\$ 160,007,766

ACTIVITY TYPES

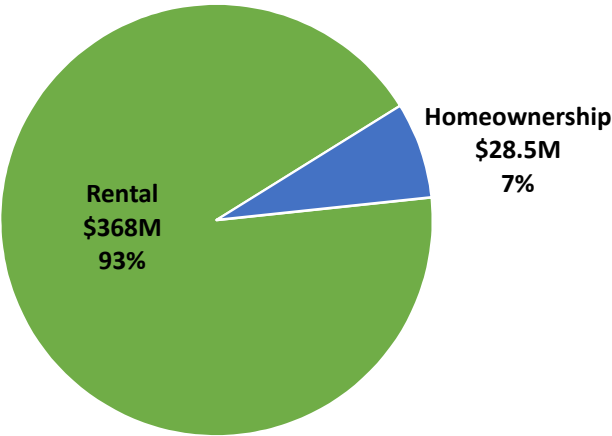
A = Acquisition  
CLT = Community Land Trust  
COT = Specialty Configuration - Cottages  
DPA = Down-Payment Assistance  
LA = Land Acquisition  
MOD = Specialty Configuration - Modular  
NC = New Construction  
R = Rehabilitation  
RLF = Revolving Loan Fund  
SE = Sweat Equity

PRE-APP SUMMARY	Applications		Low-Income Units/Beds		HTF Requested		Total Development Cost	
Funding Round	2021	2022	2021	2022	2021	2022	2021	2022
Multifamily Projects	86	35	5454	2819	\$ 242,592,420	\$ 125,512,492	\$ 1,440,355,736	\$ 784,941,015
Homeownership Projects	26	12	359	140	\$ 19,355,646	\$ 9,190,428	\$ 105,727,212	\$ 54,280,554
Subtotals	112	47	5813	2959	\$ 261,948,066	\$ 134,702,920	\$ 1,546,082,948	\$ 839,221,569
2021 & 2022 TOTAL	159		8772		\$396,650,986		\$2,385,304,517	

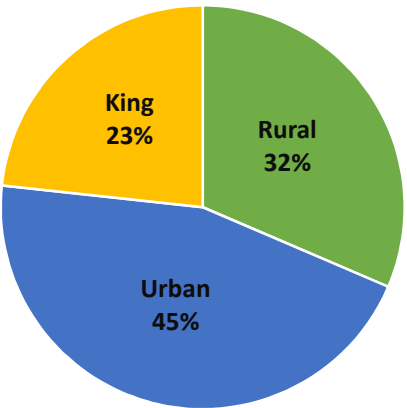


Washington State Housing Trust Fund  
2021 and 2022 Funding Cycles  
Pre-Applications Received

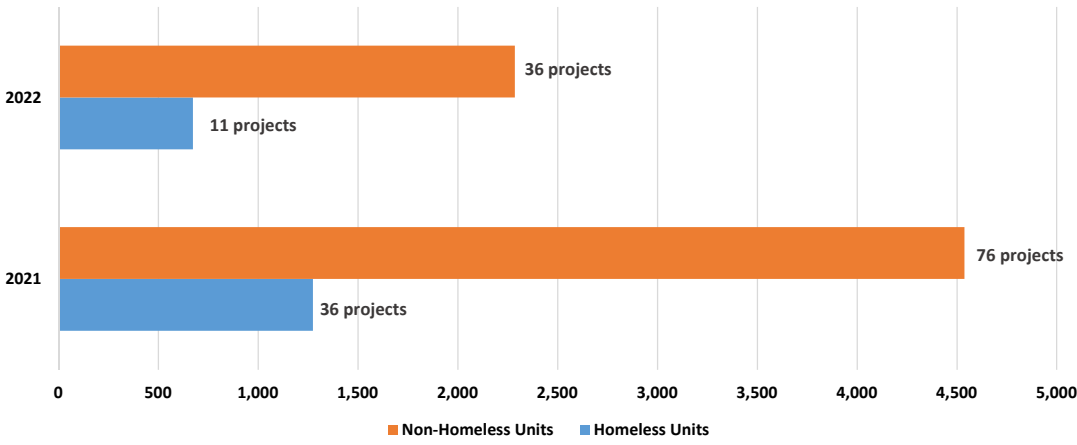
TOTAL PROJECTED REQUESTS



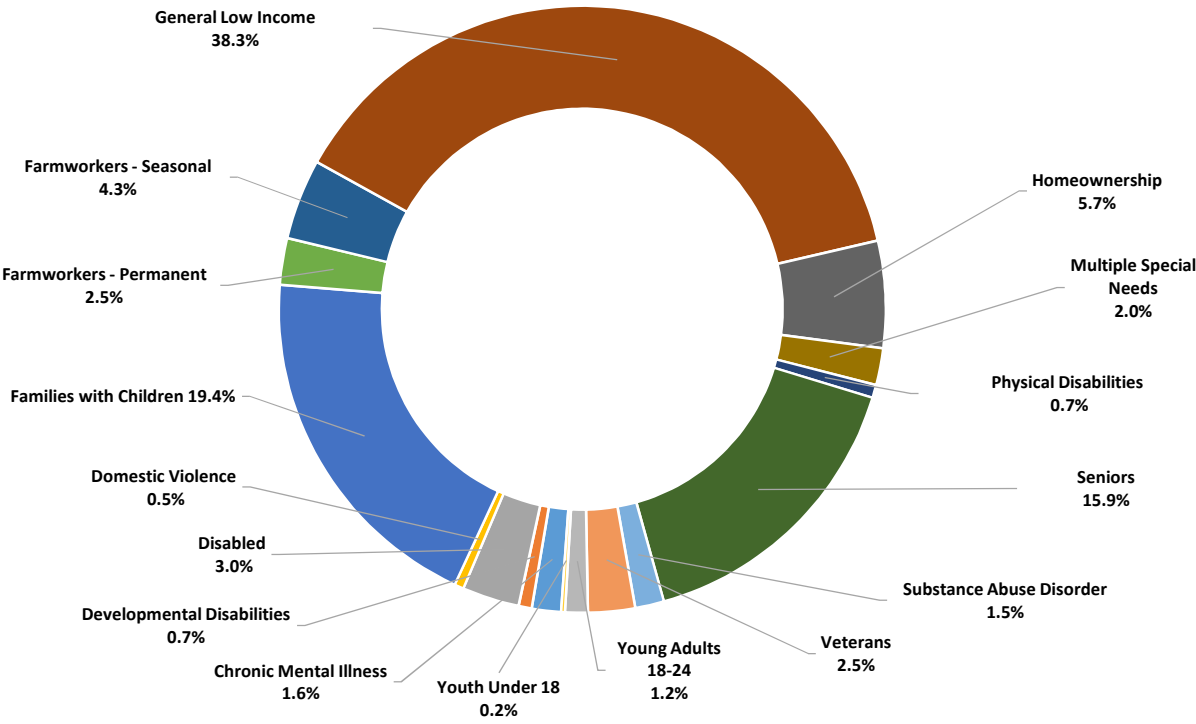
GEOGRAPHIC DISTRIBUTION



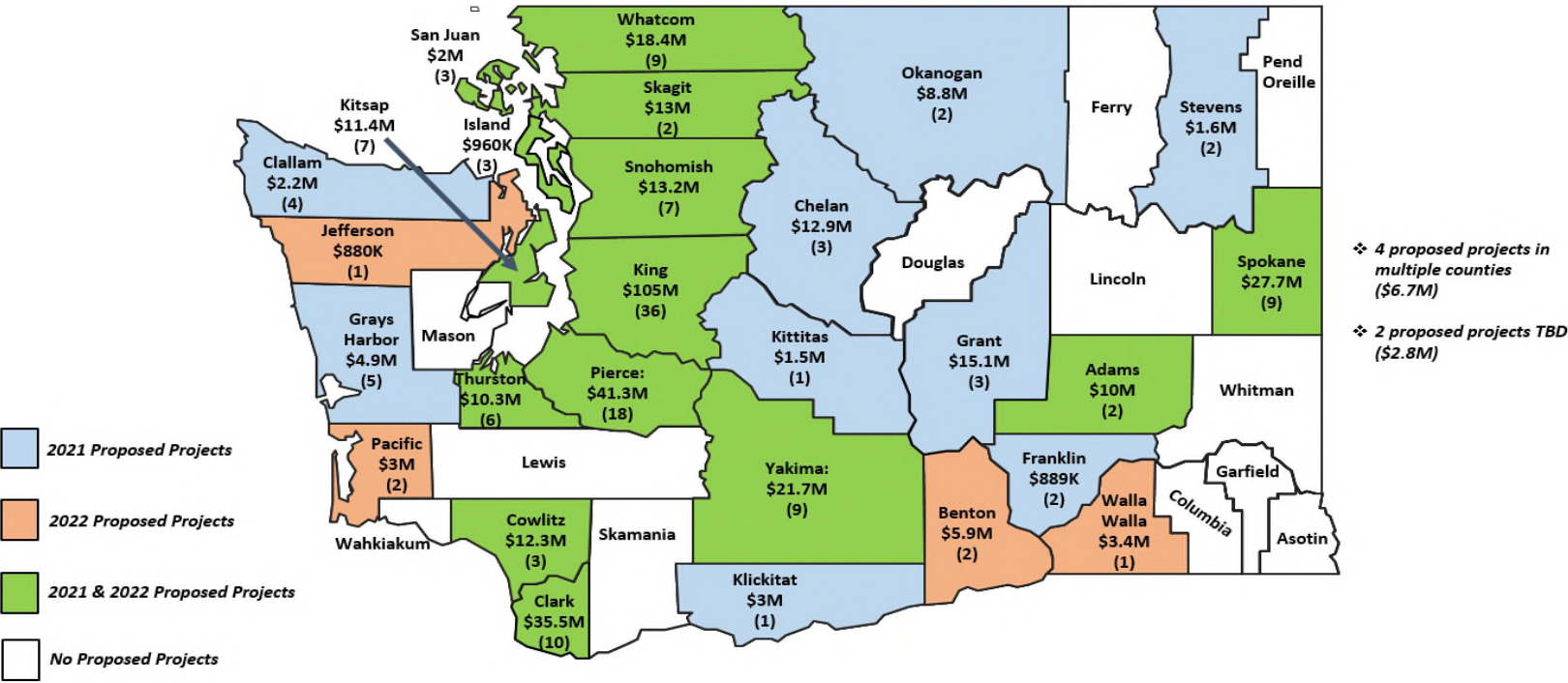
HOMELESS VS NON-HOMELESS UNITS



PROPOSED POPULATIONS SERVED



2021-2022 PROJECTED REQUESTS BY COUNTY



## Capital Project Request - Narrative Template

### 2021-2031 Biennial Capital Budget Plan | FY22 Supplemental Budget Request

#### Section 1

Proposed Title:	<b>40000242-Renovating Low-income Housing through Weatherization</b>
Project Class/Type	<b>Grant</b>
Agency Activity:	<b>A065 Improve and Preserve the Affordability of Housing</b>

#### Section 2 – Additional Capital Project Request Requirements

**Starting year.** Identifies the year an agency intends to start the proposed project or expenditures for specific purposes:

Starting Year:	<b>FY 2022</b>
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**Agency summary.** This is also known as the project summary or RecSum text. Provide a brief, clear and concise description of the project, including the problem or opportunity and how the proposed project addresses it:

The Department of Commerce (department) requests a \$10 million investment to restore the Weatherization Plus Health program to a baseline level that enables the program to maximize leveraged federal funding, reduce energy burden, and increase the safety and health of the state's most vulnerable residents. The Weatherization Plus Health program delivers home repairs, health and safety improvements, and the installation of energy efficiency measures to low-income homes across Washington.

**Project description.** Describe the proposed project. Provide answers to the following questions, which will inform decision makers about the proposed project.

Nearly 800,000 households in Washington live in poverty. Over half of these households are in need of weatherization services. The Weatherization Plus Health program is a sound, statewide investment in Washington's clean energy future, and creates positive health outcomes and preservation of affordable housing for Washington's low-income communities. This program delivers affordable housing preservation and efficiency upgrades by providing repairs, health and safety improvements, and installation of energy efficiency measures in single and multi-family homes in every county in the state as well as for seven Native American tribes.

Established by the legislature in 2015, the Weatherization Plus Health program makes targeted investments in energy efficiency, clean energy, and preservation of affordable housing for the state's most vulnerable and underserved households. This investment will directly leverage at least \$30 million in utility energy efficiency funding, and will indirectly leverage more than \$40 million in federal and local funding. The Weatherization Plus Health Program will significantly improve the energy efficiency, health, and safety of more than 900 low-income housing units and leverage services for an additional 4,011 units, for an overall impact on a total 4,958 households in hard-to-reach markets, including rental and multi-family households.

In addition to completing comprehensive weatherization services, Weatherization Plus Health funding will support the delivery of enhanced healthy home measures for high need households, plus rehabilitation and repair investments for more than 50 percent of income eligible households that are currently deferred because of repair needs, or are heated with fossil fuels such as with oil, propane or wood.

Weatherization Plus Health's weatherization services are administered through a network of 27 community action agencies and city, county, and tribal housing authorities. Measures are installed by a combination of agency based crews and more than 140 weatherization, HVAC, plumbing and electrical contractors across the state. It is estimated that \$15 million in funding (\$5 million from 21-23 budget combined with this \$10 million supplemental request) will create 172 jobs according to the National Association of Home Builders (2015).



Weatherization Plus Health leverages utility and federal funding and provides targeted local investments into households, neighborhoods and communities with the greatest health, economic, and social disparities. Weatherization Plus Health's funding flexibility allows the department to serve unserved and underserved low-income households with existing federal or utility funds, including households with non-utility fuels, high repair costs, or where a health conditions could be improved with additional repair work.

1. Identify the problem or opportunity addressed. Why is the request a priority? This narrative should identify unserved/underserved people or communities, operating budget savings, public safety improvements, or other backup necessary to understand the need for the request. For preservation projects it is helpful to include information about the current condition of the facility or system.

Low-income weatherization is a targeted investment that helps address the underlying disparities and systemic inequalities that prevent low-income residents from accessing and benefiting from healthy, affordable, efficient homes. Further, preservation of energy efficient housing improves community resiliency while advancing Washington's clean energy goals.

Addressing inequities in energy: Washington's 800,000 households that are below 200 percent of the federal poverty level have an average energy burden (utility costs as shared monthly expenses) of 6 percent. This is classified as high energy burden and is more than three times the energy burden of the typical Washington household. Many households spend more than 15 to 20 percent of their monthly income on utility costs. In Fiscal Year 2019, weatherization services reduced energy costs by up to 22 percent -- \$350 per year for site built homes and \$206 per year across all building types. Weatherization Plus Health investments are exclusively aimed at serving communities and neighbors in need. Two-thirds of households receiving weatherization services are located in census tracts classified by the Department of Health as having greater social and economic need. The improved health conditions and reduced energy and health costs that result from the Weatherization Plus Health program has a positive ripple effect on the state by reducing energy assistance needs, Medicaid costs, carbon emissions, and energy arrearages. These effects are conservatively estimated at three times the direct energy benefits. Moreover, the program provides consistent energy savings to markets and clients that utilities cannot cost effectively or efficiently serve.

Under federal guidelines the weatherization program prioritizes services to the elderly, people with disabilities, households with children, and Native Americans. Data of households served is collected monthly and reported to our federal partners on a quarterly basis. While the department is not required to collect demographics beyond income and whether they meet one or more of the priority categories, the department is currently in the process of developing a new database which will allow us to collect additional household demographics. The department will use this data to assess our ability to reach underserved communities while working with our grantees to reduce barriers to serving those most impacted by climate change. With additional state funding, the department would seek out opportunities to work with by and for community based organizations to help provide outreach to highly impacted communities as well as to help facilitate the application process if necessary.

Improving self-sufficiency and health: Many low-income household members have underlying health conditions such as limited mobility, asthma, COPD, hypertension, or compromised immune systems that are made worse by substandard housing conditions. There is strong evidence linking residents' health outcomes to substandard housing, and further evidence to suggest that targeted healthy home investments can improve health outcomes and lower health costs. Over the last five years, the department has demonstrated the potential of integrating weatherization and healthy homes measures through the Weatherization Plus Health initiative. For example, households that received services benefited from improved asthma control and had a savings of more than \$400 per year in medical costs. Without Weatherization Plus Health funding, community action agencies are not able to deliver enhanced healthy homes services or develop partnerships and referral arrangements with public health organizations such as local Department of Health and Regional Accountable Communities of Health for integrated services. In response to the reduced 21-23 funding level, many community action agencies have chosen not to provide "plus health" services and are redirecting limited funding towards basic

weatherization program needs. This impedes the significant development work that the department and agencies have invested to make Washington's Weatherization Plus Health a nationally recognized program. With an additional \$10 million, the department will be able to reinstate Weatherization Plus Health as a statewide program.

Addressing affordable housing crisis: Preserving existing affordable housing must be prioritized as an anti-displacement measure and to protect the health and safety of vulnerable populations. The Weatherization Plus Health program does just this by repairing and weatherizing homes: making them safer, healthier and more comfortable. Furthermore, by reducing energy costs and addressing other health or safety concerns, the investment ensures that excessive housing and utility costs do not push people into homelessness and that elderly clients are better able to age in place.

Stimulating economic recovery: The low-income weatherization program and related training supports statewide workforce development. Weatherization Plus Health funding is distributed through local community action agencies and an established contractor network that supports living wage jobs. By increasing the biennium appropriation to a total of \$15 million, approximately 172 jobs will be created according to the National Association of Home Builders (2015).

Implement State Energy Strategy Recommendation: According to the 2021 State Energy Strategy, low-income households bear a disproportionate housing and energy cost burden relative to other households. Existing sources of energy assistance, including both federally funded and utility-funded assistance, do not adequately address the energy affordability gap in Washington. By providing the additional funding from the supplemental budget, the department will advance the State Energy Strategy goals of weatherizing a minimum of 10 percent of eligible households and prioritizing services to underserved households by addressing the deferred maintenance issues that create barriers to weatherization and improving health outcomes of low-income households.

2. What will the request produce or construct (i.e., predesign or design of a building, construction of additional space, etc.)? When will the project start and be completed? Identify whether the project can be phased, and if so, which phase is included in the request. Be prepared to provide detailed cost backup.

This request will help provide a baseline level of funding for the continuation of the Weatherization Plus Health program and weatherization services. With a \$10 million supplemental budget investment, an estimated 947 homes will be weatherized with state funding, of which at least 30 percent will receive enhanced healthy home services. State funds will be highly leveraged by utility and federal investments that will expand services to benefit 4,011 additional homes. Given the significant investment that has already been made to establish procedures, contracting capacity, and local partnerships, \$10 million in the supplemental budget will reestablish the program's base funding enabling three pilot programs to be reinstated 1) deferral repairs, 2) enhanced services to non-utility fueled homes, and 3) expanded services to tribal homes. Moreover, due to COVID-19 the costs of performing in-home services has increased with added safety and health protection measures required for contractors and homeowners. If the request is not fully funded, the Weatherization Plus Health program will remain scaled back, and the three pilot programs will be discontinued.

3. How would the request address the problem or opportunity identified in question #1? What would be the result of not taking action?

The legislature authorized \$5 million in the 21-23 biennial budget, representing a significant decrease from the previous biennium (\$15 million in 19-21 biennia). Because of this decrease, the department has discontinued pilots that offer home rehabilitation services for Tribes, address deferral issues, and create opportunities for low-income families to switch heating sources from oil or propane to electricity. As stated above, we have also seen fewer agencies promote and provide healthy home services to the state's most medically vulnerable households.

Without baseline funding for the Weatherization Plus Health program, we expect there to be a continued decline in Washington's affordable housing stock, which would continue to fall into uninhabitable disrepair causing unsafe and unhealthy living conditions for low-income families. This could further push households living on the edge into homelessness or displacement. Additionally, it makes it difficult to expend federal grants, which could result in Washington returning funds and make Washington less competitive should federal stimulus funding become available. The weatherization program will contribute to the loss of more than 115 living wage jobs just from the decrease in state funding alone. Additional job losses will occur if we are unable to leverage the federal and utility contributions with limited state funding. As our state economy moves into recovery, stabilized funding for weatherization would help agencies across Washington offer services without interruption and without discontinuation of important housing and energy programs.

4. What alternatives were explored? Why was the recommended alternative chosen? Be prepared to provide detailed cost backup. If this project has an associated predesign, please summarize the alternatives the predesign considered

Current funding levels are insufficient to address the demand and need for Weatherization Plus Health services. Additional funding would enable the Department of Commerce to:

- Continue the statewide expansion of Weatherization Plus Health services as authorized in 2015 via HB1720.
- Address repair issues so fewer low-income families are deferred from weatherization services. In FY2019-2020 42 percent of weatherized households required repair funding in order to complete weatherization.
- Increase capacity to serve households with non-utility fuels including oil, propane and wood heat.
- Increase capacity to partner with Native American Tribes to increase services to households on tribal land.

Alternative funding sources were explored, however federal fund sources come with restrictions and extensive requirements that limit measures and services. Further relying on utility funding alone would create service gaps and inequities as not all utilities provide funding for deferrals and integrated health initiatives. Utility funding also needs to be directed to customers within their service territory, leaving non-utility customers with fewer options. The flexibility of Weatherization Plus Health funding makes it an invaluable funding source to complement the federal low-income weatherization grants from the U.S. Department of Energy, U.S. Health and Human Services (through the Low Income Home Energy Assistance Program), Bonneville Power Administration, and utility funding.

5. Which clientele would be impacted by the budget request? Where and how many units would be added, people or communities served, etc.

The Weatherization Plus Health program serves households at or below 200 percent of the Federal Poverty Level, 60 percent State Median Income, or 80 percent Area Median Income, with priority given to households with children, disabilities, aging adults, Native Americans, and those with a high-energy use/burden. It is a statewide program with services in every county and seven Native American reservations. The program serves rental and owner occupied single-family, multi-family, and manufactured housing.

With an additional \$10 million from the supplemental budget an estimated 947 homes will be weatherized with a minimum of 30 percent receiving enhanced Weatherization services. Program funds will be targeted to serving previously deferred homes, households with non-utility fuels (oil, propane, or wood), expanding services to tribal households, and expanding Weatherization Plus Health services to medically vulnerable households statewide.

6. Will other funding be used to complete the project? How much, what fund source, and could the request result in matching federal, state, local, or private funds?

Weatherization Plus Health Program dollars are, by definition, leveraged dollars. Statutory intent in authorizing the program was for the expeditious delivery of federal weatherization fund sources and to ensure low-income households access to utility conservation dollars. Since 2017, utility investment in low-income weatherization has exceeded \$1.50 for every \$1.00 of Weatherization Plus Health state investment.

The additional flexibility of Weatherization Plus Health funding makes it an invaluable funding source to complement federal low income weatherization grants from the U.S. Department of Energy, U.S. Health and Human Services (through the Low Income Home Energy Assistance Program), and Bonneville Power Administration. Federal funding for fiscal years FY 2019 – 2020 was \$20 million. All of these federal fund sources have restrictions and extensive requirements that limit measures and services and affect how many homes are deferred from weatherization. For example, federal fund sources have a 15 percent limit of funding repair costs (eg. repair to a ceiling so insulation can be installed). These repair cost are required to be included in savings to investment ratio (SIR) calculations. If the total cost of the weatherization measure and the repair do not meet SIR requirements, then the project cannot proceed or other sources of funding need to fill the gap. This is where state funding has been instrumental in providing flexibility to address critical home repair and energy needs that would otherwise be left untouched.

7. Describe how this project supports the agency's strategic master plan or would improve agency performance. Reference feasibility studies, master plans, space programming, and other analyses as appropriate.

The 2021-2023 Commerce Strategic plan is rooted in three focus areas: Economic Recovery, Equity and Community Development. This proposal specifically contributes to the focus areas in the following ways in Commerce's plan:

- Understanding racial, geographic and marginalized communities and tailoring responses to their needs;
- Build capacity through community engagement, outreach and technical assistance; and

These projects also support the Governor's Results Washington: Goal 2 A Prosperous Economy by creating living wage jobs that help low-income families reduce their energy bills and stay in their homes. Goal 3 Sustainable Energy and a Clean Environment by reducing energy consumption and emissions. Goal 4 Healthy and Safe Communities by providing health services to medically vulnerable households.

8. For IT-related costs:

- Does this project fund the development or acquisition of a new or enhanced software or hardware system or service?
- Does this decision package fund the acquisition or enhancements of any agency data centers? (See [OCIO Policy 184](#) for definition.)
- Does this decision package fund the continuation of a project that is, or will be, under OCIO oversight? (See [OCIO Policy 121](#).)

N/A

If the answer to any of these questions is yes, continue to the IT Appendix and follow the directions to meet the requirements for OCIO review.

9. If the project is linked to the Puget Sound Action Agenda, describe the impacts on the Action Agenda, including expenditure and FTE detail. See Chapter 13 (Puget Sound Recovery) in the 2019-21 Operating Budget Instructions.

N/A

10. Does this project contribute to statewide goals to reduce carbon pollution and/or improve energy efficiency? If yes, please elaborate.

Energy efficiency is a fundamental goal and direct outcome of the Weatherization Plus Health program. Every home that is serviced contributes to this goal through air sealing, adding insulation, installing more energy-efficient HVAC systems and the education of homeowners. For example, in FY19, 2,527 units were served and realized annual energy savings of 24,214 Million BTU. Average cost savings per unit ranged from 9 percent for multi-family units to 22 percent for single family site built homes.

These savings are estimated to reduce carbon emission by over 4,000 metric ton per year over the 20 to 30 year life of the projects. Additional Weatherization Plus Health funding will support increasing and targeting services to “high carbon” clients including those with oil, propane and wood heat.

11. Does this project mitigate the effects of climate change and strengthen the resiliency of communities and the natural environment? If yes, please elaborate.

The Weatherization Plus Health program mitigates the effects of climate change by improving the energy efficiency of homes and reducing associated carbon emissions from fossil-fuel based energy providers. The program also strengthens the resiliency of communities through direct benefits of weatherization measures, such as ductless heat pumps that provide critical cooling benefits and allow households to better withstand increasing temperatures spikes. In addition, the integration of healthy home services with Weatherization adds health resiliency and housing stability for communities that suffer from the greatest economic and social disparities.

12. Is there additional information you would like decision makers to know when evaluating this request?

This funding level would allow the Weatherization Plus Health Program to reinstitute lost programs and build on program successes to scale up the amount of homes served through the low-income weatherization programs, as well as expand our capacity to create meaningful partnerships with other state agencies and tribes.

Over this past year, the Weatherization program has been implementing a pilot program with tribal communities to identify eligible households that would benefit from weatherization services, but need home repairs in order to qualify. Five tribes were identified and are leading the work to get these homes into sufficient shape for the local weatherization agencies to provide services to these households. Our intention is to help build the relationships between tribes and their local Community Action Agencies so that more homes on tribal lands can be weatherized. With \$10 million from the supplemental budget, the department could prioritize this work to ensure eligible households anywhere in Washington can access services.

**RCW that establishes grant (if applicable):**

**Application process used (grants; if applicable):**

**Is a project list available? If so, please attach and/or include this information.**

**Expenditure calculations and assumptions** – *Display the calculations (e.g., unit costs and formulas) used to arrive at expenditure and workload estimates connected with the Capital Project Request. Clearly identify the*

*factual basis of any policy or workload assumptions and how the cost estimates are derived from these assumptions.*

**Estimated Total Expenditures:**

Account	2021-2023	2023-2025	2025-2027	2027-2029	2029-2031
Fund 057	\$10,000,000				
<b>Total</b>	<b>\$10,000,000</b>				

**FTE's: (Fund)**

FTEs	2021-2023	2023-2025	2025-2027	2027-2029	2029-2031
<b>Total</b>					

<b>Contact</b>	
Preparer Name:	Jennifer Grove & Amanda Rains
Assistant Director Approval?	<input type="checkbox"/>
Preparer phone number:	360-763-2213
Date:	



## Capital Project Request - Narrative Template

### 2021-2031 Biennial Capital Budget Plan | FY22 Supplemental Budget Request

#### Section 1

Proposed Title:	<b>Regional Manufacturing Shovel Ready Site Development</b>
Project Class/Type	<b>Grants/Loans</b>
Agency Activity:	<b>A163-Business Development</b>

#### Section 2 – Additional Capital Project Request Requirements

**Starting year.** Identifies the year an agency intends to start the proposed project or expenditures for specific purposes:

Starting Year:	<b>FY 2023</b>
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**Agency summary.** This is also known as the project summary or Recsum text. Provide a brief, clear and concise description of the project, including the problem or opportunity and how the proposed project addresses it:

The Department of Commerce and the Community Economic Revitalization Board (CERB) requests \$7.5 to develop “shovel-ready” manufacturing sites through existing programs. The proposed funding is necessary to meet the ambitious legislative goals established through HB 1170 to double and diversify manufacturing employment within the next 10 years, to take advantage of anticipated federal infrastructure funding, and to remain globally competitive.

**Project description.** Describe the proposed project. Provide answers to the following questions, which will inform decision makers about the proposed project.

The project provides additional grant and loan funding for localities to complete necessary predevelopment activities (such as environmental, design and infrastructure) for future manufacturing sites.

The proposed project addresses the need to stay globally competitive, address significant geographic income and employment disparities, and take advantage of anticipated federal infrastructure and innovation funds.

1. Identify the problem or opportunity addressed. Why is the request a priority? This narrative should identify unserved/underserved people or communities, operating budget savings, public safety improvements, or other backup necessary to understand the need for the request. For preservation projects it is helpful to include information about the current condition of the facility or system.

In 2021, the Legislature enacted HB 1170, which established ambitious goals to double the state’s manufacturing jobs, the number of small businesses, and the number of woman and minority-owned manufacturing companies and to drive forward these goals at the regional level. Statewide, there are approximately 285,000 manufacturing jobs and Washington ranks very highly on national economic rankings. However, these figures occlude the geographic concentration within the state. A large share of the current manufacturing jobs are clustered among a handful of mega companies based in King County. These companies are large enough to attract their own supply chain and fund internal research and development. Largely because of this manufacturing footprint, nearly six out of ten manufacturing jobs are located in just two counties.

This manufacturing disparity significantly contributes to the disparity in median household incomes across counties:

- The bottom third of counties are at 40 to 60% of King County MHI;

- The middle third of counties are all below 75% of King County MHI
- Only 1 county is 90% of King County MHI (Snohomish)

Washington lags behind other states in terms of tools to attract new manufacturing investments, including funding for site preparation. Thirty-four states have programs certifying that land is “**shovel ready**” for economic development purposes. Since 2018, state infrastructure agencies have compiled the unmet need for resources in comparison to the resources distributed. When programs receive appropriations, the state can fund about half of applications and approximately \$550 million in projects. That regularly leaves a similar figure of unmet need to grow year over year. In 2020, the state had a [\\$2.8 billion known need](#) for infrastructure exacerbated by the impact of the COVID-19 pandemic. These costs will grow annually as aging infrastructure continues to deteriorate, the state continues to experience population growth as an attractive place to live, and the backlog of deferred maintenance increases. This deferment complicates a highly competitive global marketplace that is rapidly shifting towards manufacturing strategies that include innovation, clean energy, and advanced information technology.

The department and local Associate Development Organizations (ADO) are the primary entities in the state engaging in business development. Prior to 2013, CERB staff actively collaborated with department staff on business and project development. In 2013 the budget cuts resulting in missed opportunities to attract private investment and the high-wage jobs that come with new manufacturing facilities.

Re-connecting business development capacity with CERB's site development capacity restores a highly effective partnership that allows each organization to do what they do best to grow the state's manufacturing capacity. Greater participation in the CERB process will help ensure that the supply of manufacturing sites is clearly informed by demand.

2. What will the request produce or construct (i.e., predesign or design of a building, construction of additional space, etc.)? When will the project start and be completed? Identify whether the project can be phased, and if so, which phase is included in the request. Be prepared to provide detailed cost backup.

Through a joint process with CERB in consultation with the department, the proposal will produce pre-design and related environmental work and development of sites and related infrastructure to be “shovel ready” for new or expanded manufacturing facilities. The proposal anticipates a ten-year cycle to provide sufficient physical space (i.e., development sites) to double available physical manufacturing land to meet the goals of HB 1170.

Additional funding will diversify the geographical distribution of manufacturing jobs and increase rural incomes. A dedicated manufacturing site development program will also allow Washington to stay globally competitive, as it will help direct manufacturing capacity where land, electricity, labor, and cost-of-living costs are lower.

3. How would the request address the problem or opportunity identified in question #1? What would be the result of not taking action?

To accomplish the HB 1170 goals, the department will need a more expansive toolkit to attract and support manufacturing businesses that are highly innovative, globally competitive, and committed to clean energy. As an early-action, the department and CERB seeks funding to create shovel ready sites for manufacturing facilities.

**Equity:** Distributing manufacturing across Washington allows the state to take advantage of strategic regional assets (key anchor tenants, regional networks, low-cost electricity, proximity to research and development) while raising median household incomes in counties outside of central Puget Sound. Manufacturing and information technology are two of the highest-paying wage categories. Modern manufacturing technologies will thoroughly integrate with advanced information technologies. A doubling of Washington's manufacturing employment offers the opportunity not only to grow the number of both types of jobs but also to significantly diversify where they are and who gets them.



**Infrastructure deferment and global competitiveness:** Washington will remain one of the top producing economic states only to the extent that it embraces a new manufacturing regime that integrates clean energy, advanced information technology, and innovation. The ability to produce **shovel-ready sites** is a key determinant in investor decisions.

Washington has recent experience losing very large and strategically important projects due to an inability to develop shovel ready sites within the project proponent's timeline. Project "Eagle", for example, would have created a solar manufacturing facility with two to five thousand high-paying jobs and a capital investment of more than a billion dollars in Central Washington. While power costs were very attractive, the project proponent opted for another state, as our proposed site could not complete necessary infrastructure improvements in time. As another example, Project "Big Bird" provided an opportunity to site a semi-conductor facility in SW Washington generating more than ten billion dollars in capital investment and thousands of jobs. After several months of evaluations, the company decided to site in another state where a shovel ready site was available.

**Federal funding opportunities:** The pandemic and the economic rise of China have created a new federal funding environment that is providing historic levels of federal economic funding. While never certain, it appears that more is on its way. Securing funding dedicated to developing manufacturing facilities will help our state compete for its share of federal funding.

4. What alternatives were explored? Why was the recommended alternative chosen? Be prepared to provide detailed cost backup. If this project has an associated predesign, please summarize the alternatives the predesign considered

The department explored establishing a new administrative process to distribute grants and loans to develop manufacturing sites. Due to largely duplicative of existing CERB activities and capabilities, the department decided not to pursue this alternative.

5. Which clientele would be impacted by the budget request? Where and how many units would be added, people or communities served, etc.

The proposed project would positively affect local political subdivisions (ports, local governments, associate development organizations, integrated partnership zones) and federally recognized tribes.

Based on the 2016-2021 averages, an additional \$7.5 million would result in the following:

2-3 Construction Projects (\$7.1 million)

8 Planning Projects (\$400,000)

\$40 million leveraged local match (2016-21 average: \$2 per \$1 CERB)

\$160 million leveraged private investment (2016-21 average: \$8 per \$1 CERB)

1,710 Full-time Jobs (2016-21: \$11,693 cost per job)

Due to increase in commercial construction materials and labor, \$7.5 million will not buy as much as it has historically for CERB.

6. Will other funding be used to complete the project? How much, what fund source, and could the request result in matching federal, state, local, or private funds?

It is unusual for a project to be fully funded by one source, and frequently multiple sources are necessary to complete a project. For example, CERB projects are required to have a matching component and will attract additional project investment. Specifics vary, as individual projects each have a unique situation regarding other funds.

7. Describe how this project supports the agency's strategic master plan or would improve agency performance. Reference feasibility studies, master plans, space programming, and other analyses as appropriate.

The 2021-2023 Commerce Strategic plan is rooted in three focus areas: Economic Recovery, Equity and Community Development. This proposal specifically contributes to focus areas in the following ways in Commerce's plan:

- Understanding racial, geographic and marginalized communities and tailoring responses to their needs;
- Build capacity through community engagement, outreach and technical assistance; and

This request also supports the Governor's Results Washington Goal 2: Prosperous Economy, by generating quality jobs and creating vibrant communities. This request will have a large impact adding of Washington's manufacturing employment and grow the number of manufacturing and information technology jobs but also to significantly diversify where they are.

8. For IT-related costs:

- Does this project fund the development or acquisition of a new or enhanced software or hardware system or service?
- Does this decision package fund the acquisition or enhancements of any agency data centers? (See [OCIO Policy 184](#) for definition.)
- Does this decision package fund the continuation of a project that is, or will be, under OCIO oversight? (See [OCIO Policy 121](#).)

N/A

If the answer to any of these questions is yes, continue to the IT Appendix and follow the directions to meet the requirements for OCIO review.

9. If the project is linked to the Puget Sound Action Agenda, describe the impacts on the Action Agenda, including expenditure and FTE detail. See Chapter 13 (Puget Sound Recovery) in the 2019-21 Operating Budget Instructions.

N/A

10. Does this project contribute to statewide goals to reduce carbon pollution and/or improve energy efficiency? If yes, please elaborate.

CERB and the department is dedicated to the long-term sustainability of Washington's communities, investing in public infrastructure using new and innovative technologies. CERB's construction loan program provides a strategic tool that supports these goals.

The department works closely with the Department of Ecology (and other agencies) to implement the Comprehensive Energy Transformation Act and to meet recycling goals through the Recycling Development Center.

11. Does this project mitigate the effects of climate change and strengthen the resiliency of communities and the natural environment? If yes, please elaborate.

CERB is dedicated to the long-term sustainability of Washington's communities, investing in public infrastructure using new and innovative technologies. CERB's construction loan program provides a strategic tool that supports these goals.

12. Is there additional information you would like decision makers to know when evaluating this request?

This request is supported by an operating request intended to provide grants for technical assistance and pre-development funding.

Investment in a community is not only in support of businesses, job creation, private investment, and increased tax revenue. CERB's and the department's investment has many ancillary benefits when it invests in a community, such as:

Housing and Homelessness – Investing in a stable future

- Sustainable higher wage jobs, ensure that housing can be paid for.
- Instills confidence that they can afford a home long-term.
- Builds confidence and self-reliance.

Health Care and Mental Health Care – Investing gives access to health care

- Jobs that provide: medical benefits and sick time and vacation leave
- Wages that allow for payment of co-pays & prescriptions.
- Removes a barrier to medical services.

Education – Investing in parents

- Gives children stability.
- Gives children hope for the future
- Gives the community a future workforce.

The investments from the CERB account are an economic powerhouse – OFM's prior years' conservative estimate of 10.89 construction related jobs for each \$1 million CERB invested underestimates the job creation from CERB investment. This figure does not take into account the additional funds provided by the local governments through other funding partners. Historically, CERB money has been matched at a 29:1 ratio.

**RCW that establishes grant (if applicable): 43.160**

**Application process used (grants; if applicable):**

Applicants submit loan funding requests to finance publicly owned infrastructure improvements that encourage new private business development and expansion. Applications for all of CERB's funding programs are considered on an ongoing basis. The Board meets every two months to consider projects and make funding decisions.

CERB has three funding programs:

Committed Private Partner construction loans (CPP). CPP applications require a private business commitment and the requirement that the project must create a significant number of permanent jobs, and / or generate significant private investment.

Prospective Development Construction Loans (PD). PD loans are available only to rural counties/communities with an economic feasibility study that demonstrates that private business development is likely to occur as a result of the publicly owned improvements. The PD program requires that the feasibility study identify that the project will lead to the creation of a significant number of permanent jobs and / or generate significant private investment.

Planning Program provides limited funding for studies that evaluate high-priority economic development projects. These projects target job growth and long-term economic prosperity and can include site-specific plans and studies related to:

- Economic Feasibility

- Environmental impacts
- Capital facilities
- Land use
- Permitting
- Marketing
- Project engineering
- Site planning
- Broadband

**Is a project list available? If so, please attach and/or include this information.**

CERB funds projects on an on-going basis, however, staff maintains a robust pipeline of projects.

**Expenditure calculations and assumptions** – *Display the calculations (e.g., unit costs and formulas) used to arrive at expenditure and workload estimates connected with the Capital Project Request. Clearly identify the factual basis of any policy or workload assumptions and how the cost estimates are derived from these assumptions.*

**Estimated Total Expenditures:**

Account	2021-2023	2023-2025	2025-2027	2027-2029	2029-2031
Fund 355	\$7,500,000				
<b>Total</b>	<b>\$7,500,000</b>				

**FTE's: (Fund)**

FTEs	2021-2023	2023-2025	2025-2027	2027-2029	2029-2031
Fund					
<b>Total</b>					

<b>Contact</b>	
Preparer Name:	Rick Anderson
Assistant Director Approval?	<input type="checkbox"/>
Preparer phone number:	
Date:	

## Capital Project Request - Narrative Template

### 2021-2031 Biennial Capital Budget Plan | FY22 Supplemental Budget Request

#### Section 1

Proposed Title:	<b>40000244-SEEP Clean Buildings Compliance</b>
Project Class/Type	<b>Grants</b>
Agency Activity:	<b>A049-State Energy Policy</b>

#### Section 2 – Additional Capital Project Request Requirements

**Starting year.** Identifies the year an agency intends to start the proposed project or expenditures for specific purposes:

Starting Year:	<b>FY 2023</b>
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**Agency summary.** This is also known as the project summary or RecSum text. Provide a brief, clear and concise description of the project, including the problem or opportunity and how the proposed project addresses it:

The State Efficiency and Environmental Performance Office (SEEP) in the Department of Commerce requests \$1,953,000 to install sub-meters and complete energy audits at select buildings on Department of Corrections (DOC), Department of Social and Health Services (DSHS), and Department of Veteran Affairs (DVA) campuses. This project will allow agencies to measure energy consumption and benchmark buildings subject to the Clean Buildings law. This project is needed to inform future work that may be required to bring agency facilities into compliance with Clean Buildings standards.

**Project description.** Describe the proposed project. Provide answers to the following questions, which will inform decision makers about the proposed project.

State-owned facilities over 50,000 square feet must meet energy performance standards as part of the [Clean Buildings](#) law (RCW 19.27A).

This law seeks to lower costs and pollution from fossil fuel consumption in existing buildings. State buildings covered by this law must benchmark energy use, establish energy use intensity (EUI) values, then use this information to develop energy management plans and make improvements to meet established EUI targets by 2026.

What gets measured, gets managed—and to accurately measure building energy use for buildings in a campus setting, sub-metering is required to provide building-level energy consumption data when more than one building is served by a single utility meter.

The sub-meters and energy audits included in this request are a necessary first step for state agencies to comply with the Clean Buildings law and to inform agency decision making that will reduce energy consumption, carbon emissions, and the operational cost of government. These steps can also help agencies comply with energy benchmarking requirements in RCW 19.27A.190 and with the reporting requirements and greenhouse gas (GHG) emissions limits established by RCW 70A.45.050.

1. Identify the problem or opportunity addressed. Why is the request a priority? This narrative should identify unserved/underserved people or communities, operating budget savings, public safety improvements, or other backup necessary to understand the need for the request. For preservation projects it is helpful to include information about the current condition of the facility or system.

This request is a priority because state agencies need to take action now to meet Clean Buildings standards. Installing sub-meters and completing energy audits will provide data about what cost-effective measures can be taken at these buildings to improve energy performance. Projects completed to meet Clean Buildings standards are likely to improve the energy efficiency of these buildings and provide operating budget savings through reduced energy costs.

2. What will the request produce or construct (i.e., predesign or design of a building, construction of additional space, etc.)? When will the project start and be completed? Identify whether the project can be phased, and if so, which phase is included in the request. Be prepared to provide detailed cost backup.

Funding this request will pay for engineering, design, labor, and material to install appropriate sub-metering hardware and software that measures energy consumption at selected buildings on DOC, DSHS, and DVA campuses. This request will also fund energy audits at buildings that are identified for compliance in the first tier of the Clean Buildings law.

This request includes \$10,000 per meter for up to four sub-meters in each building. Sub-meters will be used to measure electricity consumption, thermal energy use (including steam, hot water, and chilled water), and natural gas consumption.

This request also includes funding for ASHRAE Level II energy audits at buildings over 220,000 square feet which must meet [Clean Buildings Standards](#) in 2026. The cost for these audits is \$1.10 per square foot.

Some of the DVA buildings identified for sub-metering are less than 50,000 SF but provide energy to other large campus buildings that must comply with Clean Buildings standards.

Sub-metering costs included in this request have been informed by engineering estimates completed by Energy Services Companies (ESCO) contracted through the Energy Program at the Department of Enterprise Services (DES). Audit costs included in this request are based on estimates and actual costs from audits completed at state facilities. ASHRAE Level II audits are required by Clean Buildings standards.

Sub-metering projects and energy audits may be administered through the DES Energy Savings Performance Contracting (ESPC) program; agencies may self-select a pre-qualified ESCO to complete the project. Agencies will work with the selected contractor to determine the exact number and type of meters based on conditions identified at each facility.

Agency costs were provided by current SEEP facilities working group and include project management and oversight, data analysis and reporting, facility access, utility and electrical coordination, and incorporating facility-level benchmarking data.

Detailed cost backup:

Agency	Number of Buildings	Number of Sub-meters	Cost of Installation	Agency Costs
DSHS	10	40	\$400,000	\$50,000
DOC	18	72	\$720,000	\$50,000
DVA	11	44	\$440,000	\$50,000
<b>TOTALS</b>	<b>39</b>	<b>156</b>	<b>\$1,560,000</b>	<b>\$150,000</b>
<b>Sub-metering TOTAL</b>			<b>\$1,710,000</b>	
Agency	Number of Buildings	Number of Audits	Cost of Audits	
DSHS	1 (Eastern State Hospital)	1 (220,828 sq ft)	<b>\$242,911</b>	
<b>REQUEST TOTAL</b>			<b>\$1,952,911</b>	

3. How would the request address the problem or opportunity identified in question #1? What would be the result of not taking action?

This request is the first step state agencies need to take to comply with Clean Buildings standards. After installing sub-meters and completing energy audits, agencies will collect and analyze a year of data to establish an energy benchmark and EUI values. If this request is not funded and this effort is delayed, it is unlikely state agencies will meet 2026 targets, resulting in financial penalties that are likely to exceed the cost of this proposal.

4. What alternatives were explored? Why was the recommended alternative chosen? Be prepared to provide detailed cost backup. If this project has an associated predesign, please summarize the alternatives the predesign considered

The Clean Buildings law is prescriptive about the steps building owners must take to comply. State agencies must follow these steps, which include building-level metering and ASHRAE Level II energy audits. There is no other alternative available.

5. Which clientele would be impacted by the budget request? Where and how many units would be added, people or communities served, etc.

This request will affect clients served by state hospitals, veteran's homes, and prison facilities. Funding this request will also benefit state agencies by identifying opportunities to reduce energy consumption and operating costs and improve the condition of their facilities.

6. Will other funding be used to complete the project? How much, what fund source, and could the request result in matching federal, state, local, or private funds?

N/A

7. Describe how this project supports the agency's strategic master plan or would improve agency performance. Reference feasibility studies, master plans, space programming, and other analyses as appropriate.

The 2021-2023 Commerce Strategic plan is rooted in three focus areas: Economic Recovery, Equity and Community Development. This proposal specifically contributes to the focus area in the following ways in Commerce's plan:

- State Energy Strategy that will improve the condition and energy performance of public buildings

The Department of Commerce leads policy and implementation efforts for the Clean Buildings law, and the SEEP Office works with state agency partners to lead by example through capital projects. Lead by example efforts are part of recommendations identified by the 2021 State Energy Strategy. Completing the work described in this request will demonstrate state agency commitment to implementing Clean Buildings standards, and will help inform how state and other public agencies can comply with these standards while also reducing GHG emissions, saving energy costs, and improving the condition and energy performance of public buildings.



These projects also support the Results Washington Goal 3: Sustainable Energy and a Clean Environment by reducing energy consumption and emissions.

8. For IT-related costs:

- Does this project fund the development or acquisition of a new or enhanced software or hardware system or service?
- Does this decision package fund the acquisition or enhancements of any agency data centers? (See [OCIO Policy 184](#) for definition.)
- Does this decision package fund the continuation of a project that is, or will be, under OCIO oversight? (See [OCIO Policy 121](#).)

N/A

If the answer to any of these questions is yes, continue to the IT Appendix and follow the directions to meet the requirements for OCIO review.

9. If the project is linked to the Puget Sound Action Agenda, describe the impacts on the Action Agenda, including expenditure and FTE detail. See Chapter 13 (Puget Sound Recovery) in the 2019-21 Operating Budget Instructions.

N/A

10. Does this project contribute to statewide goals to reduce carbon pollution and/or improve energy efficiency? If yes, please elaborate.

Yes. This project directly contributes to GHG emissions reductions and improvements in energy efficiency for three state agencies. DOC, DSHS, and DVA are some of the biggest emitters in state government. These agencies are also named in Executive Order 20-01 (State Efficiency and Environmental Performance), and have emissions limits established by law in RCW 70A.45.050.

This request will provide important information about how DOC, DSHS, and DVA can reduce carbon pollution and improve energy efficiency in future biennia.

11. Does this project mitigate the effects of climate change and strengthen the resiliency of communities and the natural environment? If yes, please elaborate.

Many of the buildings identified in this request provide critical services to communities in our state. Better understanding the energy performance and condition of these buildings will help agencies understand how to operate these facilities efficiently, and in a way that protects human health and the natural environment.

12. Is there additional information you would like decision makers to know when evaluating this request?

This request should be appropriations directly to partner agencies so that these projects can be completed in an efficient, cost-effective manner.



**RCW that establishes grant (if applicable):**

**Application process used (grants; if applicable):**

**Is a project list available? If so, please attach and/or include this information.**

**Expenditure calculations and assumptions** – *Display the calculations (e.g., unit costs and formulas) used to arrive at expenditure and workload estimates connected with the Capital Project Request. Clearly identify the factual basis of any policy or workload assumptions and how the cost estimates are derived from these assumptions.*

**Estimated Total Expenditures:**

Account	2021-2023	2023-2025	2025-2027	2027-2029	2029-2031
Fund 057	\$1,953,000				
<b>Total</b>	<b>\$1,953,000</b>				

**FTE's: (Fund)**

FTEs	2021-2023	2023-2025	2025-2027	2027-2029	2029-2031
<b>Total</b>					

Contact	
Preparer Name:	Hanna Waterstrat
Assistant Director Approval?	<input type="checkbox"/>
Preparer phone number:	360-764-0015
Date:	8/13/21

## Capital Project Request - Narrative Template

### 2021-2031 Biennial Capital Budget Plan | FY22 Supplemental Budget Request

#### Section 1

Proposed Title:	<b>Economic Opportunity Grants Authority</b>
Project Class/Type	<b>Grants</b>
Agency Activity:	<b>A096-Community Development Block Grant</b>

#### Section 2 – Additional Capital Project Request Requirements

**Starting year.** Identifies the year an agency intends to start the proposed project or expenditures for specific purposes:

Starting Year:	<b>FY 2023</b>
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**Agency summary.** This is also known as the project summary or Recsum text. Provide a brief, clear and concise description of the project, including the problem or opportunity and how the proposed project addresses it:

The Department of Commerce (department) requests an increase in authority of \$1,083,000 in the Rural Washington Loan Account (Fund 689). These dollars are used to fund Economic Opportunity Grants, providing low and moderate-income communities in Washington State with resources that address emerging economic opportunities or repair and enhance infrastructure.

**Project description.** Describe the proposed project. Provide answers to the following questions, which will inform decision makers about the proposed project.

The department requests an increase in authority to award and expend funds from the Rural Washington Loan Fund (Fund 689) through the 2021-2023 biennium. The department administers the federally-funded Community Development Block Grant (CDBG) program. The Rural Washington Loan Fund (Fund 689) was initially capitalized with CDBG funds and, as confirmed by the US Department of Housing and Urban Development (HUD), are CDBG revolving loan/program income funds. As established by the HUD approved CDBG Action Plan, CDBG utilizes Fund 689 exclusively for CDBG Economic Opportunity Grants. The types of projects that the Economic Opportunity Program funds include grants for infrastructure, community facilities, microenterprise revolving loans, and other eligible Community Development Block Grant activities. A project list of current commitments is listed below. A total of \$1,082,673 in resources is currently unobligated but will be obligated by the end of the FY 2022. Projects awarded CDBG Economic Opportunity Grants in the current biennium are scheduled to expend funds through the end of the 2021-2023 biennium.

1. Identify the problem or opportunity addressed. Why is the request a priority? This narrative should identify unserved/underserved people or communities, operating budget savings, public safety improvements, or other backup necessary to understand the need for the request. For preservation projects it is helpful to include information about the current condition of the facility or system.

The additional authority will allow the department to award, expend and manage Fund 689 Federal funds as approved by HUD as CDBG Economic Opportunity Grants, and assist rural communities with grant assistance through the FY 2021-2023 biennium for the current Economic Opportunity awards and consideration for future awards. These grant funds have provided low- and moderate-income communities in Washington state with resources that address emerging economic opportunities or repair and enhance infrastructure.

2. What will the request produce or construct (i.e., predesign or design of a building, construction of additional space, etc.)? When will the project start and be completed? Identify whether the project can be phased, and if so, which phase is included in the request. Be prepared to provide detailed cost backup.

Projects will be awarded and drawn through the FY 2021-2023 biennium. Below is a project list of current obligations through Fund 689. The department proposes to use remaining unobligated funds to fund one or more CDBG eligible projects (i.e., job creation, infrastructure improvements, housing rehabilitation, or community facilities).

**CDBG Economic Opportunity Grant Projects - (Fund 689)**

<b>Project</b>	<b>Jurisdiction</b>	<b>Amount</b>
Develop business training, technical assistance and microloans in coastal Washington counties with Enterprise for Equity.	City of Montesano	\$250,000
Microenterprise training, technical assistance and microloans with Enterprise for Equity.	Mason County	\$200,000
Survey and Condition Assessment of the South Bend/Raymond Alder Mill Site and Facilities	Pacific County with Port of Willapa	\$24,000
New Fire Station in Addy, Washington	Stevens County with Fire Protection District No. 5	\$796,409
Raymond Mill/Kiln Initiative – new development and expansion of existing kiln and planer facilities as part of regional Energy Innovation District.	Pacific County with Port of Willapa	\$1,140,000

3. How would the request address the problem or opportunity identified in question #1? What would be the result of not taking action?

Additional authority is needed to make awards and reimburse CDBG grantees for eligible activities to spend down the Rural Washington Loan Fund. This will allow communities to make infrastructure investments, enhance community public safety and health, provide loans to start businesses, and engage in other community development or job creation activities.

If expenditure authority is not granted, then the department would not be authorized to expend the \$1.49 million currently under contract and scheduled for expenditure or award to local government grant recipients through the FY 2021-2023 biennium. The department would not be following its HUD approved Action Plan for the use of the CDBG revolving loan/program income funds and may need to return those funds to HUD.

4. What alternatives were explored? Why was the recommended alternative chosen? Be prepared to provide detailed cost backup. If this project has an associated predesign, please summarize the alternatives the predesign considered

This proposal intends to obligate the resources designed for the CDBG Economic Opportunity Grant Program. There is not an alternative available for CDBG to fund these projects without these resources.

5. Which clientele would be impacted by the budget request? Where and how many units would be added, people or communities served, etc.

CDBG Economic Opportunity Grants are awarded to rural cities, towns and counties in Washington State for activities that will principally benefit low- and moderate-income persons. The grants fund activities directly resulting in job creation for low- and moderate-income persons and microenterprises as well as infrastructure and services activities that support lower income communities' economic development strategies.

6. Will other funding be used to complete the project? How much, what fund source, and could the request result in matching federal, state, local, or private funds?

While there is no federal matching requirement, CDBG Economic Opportunity Grant projects often include applicant resources along with other state and federal funding in order to finance projects.

7. Describe how this project supports the agency's strategic master plan or would improve agency performance. Reference feasibility studies, master plans, space programming, and other analyses as appropriate.

The 2021-2023 Commerce Strategic plan is rooted in three focus areas: Economic Recovery, Equity and Community Development. This proposal specifically contributes in the following ways to Commerce's plan:

- Economic Opportunity Grants are awarded to rural cities, towns and counties in Washington State for activities that will principally benefit low- and moderate-income persons.
- These grants fund activities directly resulting in job creation for low- and moderate-income persons and microenterprises
- These grants also benefit infrastructure and service activities that support lower income communities' economic development strategies.

This request supports to the Results Washington Goal 2 Prosperous Economy, by creating jobs for low income areas and supporting lower income communities.

8. For IT-related costs:
- Does this project fund the development or acquisition of a new or enhanced software or hardware system or service?
  - Does this decision package fund the acquisition or enhancements of any agency data centers? (See [OCIO Policy 184](#) for definition.)
  - Does this decision package fund the continuation of a project that is, or will be, under OCIO oversight? (See [OCIO Policy 121](#).)

N/A

If the answer to any of these questions is yes, continue to the IT Appendix and follow the directions to meet the requirements for OCIO review.

9. If the project is linked to the Puget Sound Action Agenda, describe the impacts on the Action Agenda, including expenditure and FTE detail. See Chapter 13 (Puget Sound Recovery) in the 2019-21 Operating Budget Instructions.

N/A

10. Does this project contribute to statewide goals to reduce carbon pollution and/or improve energy efficiency? If yes, please elaborate.

Economic Opportunity grants can fund energy-related projects that reduce carbon pollution and promote energy efficiency. For example, the Pacific County/Port of Willapa Kiln and Planer project in Raymond, Washington is an example of a CDBG investment in the Port of Willapa Energy Innovation District initiative, in which systems of manufacturing by-products and waste streams are leveraged across multiple enterprises to enhance efficiencies and energy conservation.

11. Does this project mitigate the effects of climate change and strengthen the resiliency of communities and the natural environment? If yes, please elaborate.

Economic Opportunity grants can fund projects that not only address the economic resilience of a community, but which can address energy-related uses. For example, the Pacific County/Port of Willapa Kiln and Planer project in Raymond, Washington reuses wood waste for energy generation.

12. Is there additional information you would like decision makers to know when evaluating this request?

Without the appropriation, the department cannot award or expend funds in accordance with the HUD-approved Action Plan for use of CDBG revolving loan/program income funds. Failure to adhere to the approved action plan could impact federal authorization of future funding.

**RCW that establishes grant (if applicable):**

**Application process used (grants; if applicable):**

**Is a project list available? If so, please attach and/or include this information.**

**Expenditure calculations and assumptions** – *Display the calculations (e.g., unit costs and formulas) used to arrive at expenditure and workload estimates connected with the Capital Project Request. Clearly identify the factual basis of any policy or workload assumptions and how the cost estimates are derived from these assumptions.*

**Estimated Total Expenditures:**

Account	2021-2023	2023-2025	2025-2027	2027-2029	2029-2031
Fund 689	\$1,083,000				
<b>Total</b>	<b>\$1,083,000</b>				

**FTE's: (Fund)**

FTEs	2021-2023	2023-2025	2025-2027	2027-2029	2029-2031
<b>Total</b>					

Contact	
Preparer Name:	Jon Galow, CDBG Section Manager
Assistant Director Approval?	<input type="checkbox"/>
Preparer phone number:	(509) 847-5021
Date:	8-2-2021

## Capital Project Request - Narrative Template

### 2021-2031 Biennial Capital Budget Plan | FY22 Supplemental Budget Request

#### Section 1

Proposed Title:	<b>Public Works Board Infrastructure</b>
Project Class/Type	<b>Grants/Loans</b>
Agency Activity:	<b>A113-Public Works Board Infrastructure Grants and Loans</b>

#### Section 2 – Additional Capital Project Request Requirements

**Starting year.** Identifies the year an agency intends to start the proposed project or expenditures for specific purposes:

Starting Year:	<b>FY 2023</b>
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**Agency summary.** This is also known as the project summary or Recsum text. Provide a brief, clear and concise description of the project, including the problem or opportunity and how the proposed project addresses it:

The Public Works Board (PWB) requests \$250 million to address the statewide need for infrastructure financing demonstrated by a known project pipeline of eligible, shovel-ready projects totaling more than \$1 billion. Infrastructure is the backbone of sustained economic recovery, growth, and job creation. It is critical to environmental protection, public health, and safety. PWB loans and grants to local governments fund installation, repair, and upgrade of six infrastructure types.

**Project description.** Describe the proposed project. Provide answers to the following questions, which will inform decision makers about the proposed project.

The PWB utilizes a revolving fund to administer three infrastructure loan programs for these infrastructure systems: roads, bridges, sanitary sewer, domestic water, stormwater and solid waste/recycling. These programs are: a) construction, b) pre-construction, and c) emergency. The competitive construction and pre-construction programs award funds through annual funding cycles. The emergency loan program is open as long as funds are available. The PWB sets the amount of funds available under each program.

The PWB requests a \$250 million <sup>1</sup>appropriation to award to qualifying projects through its competitive application process enacted in 2018 under RCW 43.155.070. As loan repayments and interest revolve back into the Public Works Assistance Account (PWAA), they can be awarded to projects in future funding cycles. The competitive process emphasizes project readiness. Using this process, the average time from application to project completion is 2.1 years, rather than 5.4 years or longer with the previous "list" process.

This request does not seek administrative or staffing costs. The cost of administering the \$250 million requested is less than one percent of the total request. It is the intent of the PWB to get these dollars to work in communities affected by the economic and social impacts of the COVID-19 pandemic as quickly as possible.

This request dovetails with agency request legislation to accelerate the sunset date for diversions and sweeps from the PWAA and the Real Estate Excise Tax (REET) so that the PWAA would be recapitalized faster and thus the PWB would have consistent resources to invest in local priority infrastructure projects. Current estimates are that accelerating the sunset date would add \$250 million in revenues to the PWAA. Consistent and sustained funding would be significant to addressing the pipeline of ready-to-go infrastructure projects across the state.

<sup>1</sup> Or upcoming federal infrastructure appropriations

1. Identify the problem or opportunity addressed. Why is the request a priority? This narrative should identify unserved/underserved people or communities, operating budget savings, public safety improvements, or other backup necessary to understand the need for the request. For preservation projects it is helpful to include information about the current condition of the facility or system.

Infrastructure systems are the backbone of economic growth, vitality, and recovery, the cornerstone of public health and safety, and a first line of defense against environmental damage. PWB funding awards allow local jurisdictions to address their specific public and environmental health and safety concerns, such as raw sewage discharge, flooding, contamination, and fire flow. Project awards also enable community economic growth and development. In rural communities, access to low cost financing is the key to development and a requirement for maintaining service affordability for customers. These benefits are not limited to new construction. System rehabilitation and upgrades not only ensure the proper functioning of infrastructure systems, they also reduce operating expenses and increase local efficiency.

The legislature appropriated \$129 million from the PWAA for the PWB traditional infrastructure programs for the 2021-2013 biennium. The PWB set aside \$5 million for the emergency loan program for the biennium. The remaining \$124 million became available for a competitive funding cycle that opened May 14, 2021. The cycle closed on July 9, 2021 with 74 applications seeking over \$257 million in funding. At its August 6, 2021 meeting the PWB awarded funding to 43 of these projects valued at \$124 million.

This funding cycle demonstrates that the demand for infrastructure funding outpaces recent appropriations by forty eight percent. Local governments are struggling to provide basic infrastructure services to the citizens of Washington state. The cost of maintaining aging systems is sustained as long as possible until either the system fails, or regulatory mandates require replacement or improvement. This style of system management drives up operations costs, negatively impacts customer budgets and service availability, and greatly increases the likelihood of catastrophic failure resulting in harm to the public and environment. Half of the construction awards in the PWB's recent funding cycle were to replace infrastructure at or well past end of life. Rate affordability issues, revenue limitations, and the competing demands for funding resources limit local jurisdictions' ability to absorb the cost of addressing these critical infrastructure needs. Population growth, regulation, and reduced resources have put a burden on local governments to meet the demands of providing and maintaining basic services.

The most recent Report Card<sup>2</sup> for Washington's Infrastructure compiled by the American Society of Civil Engineers specifically mentions the PWB as part of the answer to address the state's significant shortfall in financing necessary infrastructure projects around the state. The PWB does many of the things called for in this report, such as balancing the needs of urban and rural communities. According to the report, funding for rural infrastructure ensures all Washingtonians have equitable access to jobs and a strong quality of life. Modernizing infrastructure to reap multiple benefits, from stormwater infrastructure that protects fish and wildlife to water reuse projects that provide economic and environmental benefits for business, communities and workers.

Statutory flexibility allows the PWB to address multiple needs through one funding award. This means that while fixing a road, PWB also supports culvert replacement, stormwater upgrades, even access to schools, parks and improved economic development opportunities. By utilizing this multi-system approach, jurisdictions realize cost savings in labor and materials and reduce the impact on area residents. During FY20, the PWB supported 15 multi-system benefit projects through its construction, pre-construction, and emergency programs.

In July 2021, staff revisited the project pipeline prepared in advance of the 2023 legislative session. When engaging with these applicants, staff learned of an additional \$881 million in funding needs for ready-to-go-construction-projects that could be completed within one to four years of funding award. While updating this information, these clients told staff about 173 additional shovel-ready projects that address systems that are beyond useful life and that pose public health and safety concerns. Combined

<sup>2</sup> [https://www.infrastructurereportcard.org/wp-content/uploads/2016/10/ASCE\\_Brochure%E2%80%9494WA2019.pdf](https://www.infrastructurereportcard.org/wp-content/uploads/2016/10/ASCE_Brochure%E2%80%9494WA2019.pdf)



this represents a project pipeline over \$1 billion and, due to the limited scope of contacts made, only scratches the surface of the state's true funding need.

Public resources available to fund these projects are declining. According to a May 2019 report by Brookings Institute, federal spending on infrastructure from 2007-2017 was \$9.9 billion in real terms while operations and maintenance costs rose 9.5 percent over the same time frame and capital investments in infrastructure declined by sixteen percent.<sup>3</sup>

Resources are needed to bridge the gap between various state and federal infrastructure funding programs and the community need for repair or replacement, but for which there is no other funding than the private market. The private market is a costly alternative that is out of reach for smaller communities, and requires millions in added interest payments for those who do qualify. Analysis of the costs for local governments to borrow indicates nearly a two percent difference between the PWB interest rate and the private market.

2. What will the request produce or construct (i.e., predesign or design of a building, construction of additional space, etc.)? When will the project start and be completed? Identify whether the project can be phased, and if so, which phase is included in the request. Be prepared to provide detailed cost backup.

This will fund projects that meet current infrastructure demands across the state. Based on the PWB experience for the 2021 construction funding cycle, the average award was approximately \$3.4 million. For a funding request of \$250 million, this would construct approximately 73 new infrastructure projects.

One example of a Fiscal Year 2020 (FY20) project that passed scoring threshold, but did not receive an award due to lack of funds is the city of Quincy's Phase 2 Wastewater and Recycled Water project. The two primary economic activities for the city are food processing and data storage, both water intensive activities. In order to continue economic growth in the region and maintain regulatory compliance, water reuse is the only affordable solution. This project is still seeking funding and is part of the PWB pipeline of projects. If the city is unable to secure other financing to complete this project, the city may have to shut down one of its food processing locations and halt expansion of data center operations. Investing \$250 million in local priority infrastructure projects achieves a job multiplier of 10.89, for a total of 2,723 jobs. The economic output generated with this investment is \$493 million, based on a total output modifier of 1.97.

This represents a much-needed economic boost during this pandemic-induced recession. These funds will plan and build Washington's next legacy infrastructure systems and support communities to deliver essential public services.

Infrastructure not only provides essential services, it is the backbone of economic recovery, and is a vital component of community development. For instance, in FY20 the city of Camas received PWB financing for their [State Route 500 and Lake Road](#) interchange project. This project resolves traffic issues that are preventing the development of 235 acres of commercial/industrial land, 225 acres of residential land. This roadway solution also provides for safe parking and pedestrian access to recreational areas on Lake Lacamas. Stormwater management and treatment is also being addressed during this project, which results in decreased contaminant introduction into the lake.

Kitsap County's FY20 application to finance improvements along Bay Shore and Washington Avenues in Silverdale passed threshold, but did not receive award due to lack of funding. This project addresses traffic flow, ADA compliance issues, wastewater and stormwater management, aging domestic water services, parking, and pedestrian access concerns that have hampered the continued development of the Old Town neighborhood. Visitors come to this waterfront area year-round for community events, recreational activities, and access to commercial and service industries. Public involvement in the design of this project is high, with over 500 inquiry respondents at multiple public meetings. This project is still seeking funding and is part of the PWB pipeline of projects.

<sup>3</sup> <https://www.brookings.edu/research/shifting-into-an-era-of-repair-us-infrastructure-spending-trends/>

Beginning in the FY17-19 biennium, the Legislature authorized the PWB to fund construction projects via an appropriation. Prior to this, funding for PWB projects was done via a loan list that required prior legislative approval. Changing from a list to an appropriation not only makes the funding cycle faster, it allows for PWB to serve as leverage for other infrastructure funding programs, thus extending the “reach” of limited federal and state resources, and facilitates packaging of funding sources to benefit local projects; making viable projects whole.

To achieve this, four funding windows per biennium have been established that align with the federally capitalized State Revolving Funds (both Clean Water and Drinking Water). This subtle change allows greater coordination with other funders and for projects to be packaged, which brings substantially greater value to communities. In FY20, 17 PWB financed projects were co-funded efforts with state and/or federal partners. The emergency award to the [city of Moxee](#) is an example of a co-funded project between the PWB and the Drinking Water State Revolving Fund (DWSRF). This project was in response to the failure of one of the city’s wells and was funded with \$282,000 in local funds, \$500,000 from DWSRF, and \$1,000,000 from PWB. Completion of this project will ensure access to domestic water for city residents and local agricultural industry. By financing this project rather than using local funds exclusively, the city is able to continue their system maintenance program without interruption or curtailment.

The PWB anticipates \$250 million going towards construction. Based on the average award of the PWB’s last two construction loan cycles (\$3.5 million), \$250 million would fund approximately 73 construction projects during the biennium.

3. How would the request address the problem or opportunity identified in question #1? What would be the result of not taking action?

The request will reduce the backlog of critical infrastructure projects that exists statewide due to aging infrastructure and limited fiscal capacity. The result of not taking action is the cumulative effects of aging infrastructure and the rising costs of repairing, replacing or upgrading infrastructure systems in operation beyond their useful life. This affects community livability, business viability and environmental integrity.

For individual users, reliability, safety, and affordability are primary concerns. Residents of the state have a reasonable expectation that a water faucet should issue clean, contaminant free water when it is turned on, that wastewater is treated prior to discharge, that stormwater is managed to minimize local and regional flooding, that transportation networks are function and in good repair, that solid waste is handled safely and does not pollute groundwater, and that there is equitable access to affordable broadband services. The PWB financing has assisted in the realization of these expectations since 1985.

Funding for communities with infrastructure needs is limited, especially for those with limited capacity to take on large infrastructure projects or private market loans. The PWB’s open competitive construction loan program conducts a competitive process that ensures all projects are vetted, including the financial capability to assume a loan, effective local systems management, and that projects will meet a critical public need. The new funding structure authorized by the legislature enabled the PWB to meet local governments where and when they need it, and not be restricted by either annual or biennial funding windows. This appropriation will allow the PWB to continue exercising that authority, and effectively support infrastructure development statewide.

The PWB is a self-sustaining program that can augment other state and federal financing programs. The process is highly competitive and allows the PWB to invest in only the highest priority projects. This supports the execution of state policies, such as the reduction of greenhouse gases, protection of Puget Sound, and implementation of the Growth Management Act.

PWB funding also assists the state in addressing Diversity, Equity, and Inclusion (DEI) goals. National studies indicate that communities of color are less likely to have access to clean, affordable drinking water and wastewater services. These communities are also at a higher likelihood to have services turned off as rates increase (emergency repairs are the leading cause of dramatic increases in ratepayer

costs). Similarly, implementation of stormwater management and maintenance of roads lags behind in these communities. Such investments move the state towards a sustainable infrastructure system that accounts for environmental, social, and economic realities while increasing resilience, functionality, and access. The low cost associated with a PWB loan enables a jurisdiction to look at their projects through a broader, more diverse lens while maintaining the affordability of their end user rates.

It is important to note that two primary funding programs for water infrastructure, the Drinking Water State Revolving Fund (DWSRF) and the Clean Water State Revolving Fund (CWSRF), using an accelerated funding cycle have been unable to fund all of the projects seeking financing. On average, the demand on these resources has been 2:1. That means that half of the projects receive no funding and must wait for the next annual funding cycle. During that time, funding may shrink or disappear altogether. That is, costs may increase significantly, funding may be lost due to match requirements, and communities may experience emerging demands or new regulation. Additionally, delaying the replacement of aging system components increases the chance for catastrophic failure and emergency repair, which dramatically increases the cost to the community. In the most recent funding cycle, the DWSRF and CWSRF only funded 38 percent of project requests. In the PWB's most recent funding cycle, the ratio of request to award was 3:1 and only 40 percent of projects were funded.

If no action is taken, the PWB will not be able to address critical and failing infrastructure systems, resulting in negative impacts on public health and safety, reduced environmental protection, and stalled economic recovery and development. Every year there is a deficit of infrastructure financing, communities must absorb the environmental, social, and economic costs associated. Infrastructure connects the daily lives of people and businesses. Without it, communities are less capable of growing in a sustainable way. For communities that must access the private credit market and guarantee future revenues to large principal and interest payments, the future growth capability of the community is restrained and other priorities must be sacrificed.

4. What alternatives were explored? Why was the recommended alternative chosen? Be prepared to provide detailed cost backup. If this project has an associated predesign, please summarize the alternatives the predesign considered

Knowing the demand for infrastructure financing, the PWB explored four options for increasing the requested appropriation. Through the agency request legislation process, the PWB is pursuing reinstatement of PWAA revenue streams that have been redirected to other state priorities over the last two biennia. This would increase the amount of funds available in the account, and enable the PWB to provide a greater level of financial assistance to Washington communities. Until these statutory changes are made, this is not a legal option.

Restoring tax revenues from the real estate excise tax, solid waste collection tax, and public utility tax to the public works assistance account; and amending RCW 82.45.230, 82.16.020, and 82.18.040 is an option the PWB is pursuing as a policy bill. If successful, and the sunset date is accelerated from 2023 to 2021, this could provide nearly \$250 million in additional funds that the PWB could invest in qualifying infrastructure projects through its competitive processes.

Another alternative is to fund this proposal from anticipated infrastructure dollars pending appropriation in the US Congress.

A final alternative to funding the \$250 million requested by the PWB is to not provide an appropriation. However, with the state facing critical revenue challenges at all levels due to the COVID-19 pandemic, local resources to fund priority areas such as infrastructure in support of economic recovery and growth, culvert replacement to restore salmon habitat, and updating legacy infrastructure systems that are moving beyond useful life into failure are even more constrained. The PWB is an affordable resource for local governments that moves the state towards an effective infrastructure solution that ensures public health and safety, protects the environment, and drives economic recovery and growth.

5. Which clientele would be impacted by the budget request? Where and how many units would be added, people or communities served, etc.

Nearly 2,000 government organizations are eligible for PWB Traditional Programs funding: Cities (281), counties (39), special purpose districts (approximately 1,300 excluding ports and school districts), and municipal and quasi-municipal corporations (1,580 estimated). The infrastructure systems they manage touch the lives of every resident in the state and provide the backbone for economic recovery and growth. Many communities eligible for these funds are responding to regulatory requirements to upgrade their facilities. Without financial assistance, the communities do not have the resources to meet the requirements. At best, failure to meet a system's regulatory requirements will result in economic stagnation; at worst, public and environmental health and safety are jeopardized.

This appropriation will allow the PWB to help local governments to address critical needs. Looking to the future, the PWB project pipeline is a limited snapshot in time and represents the current needs of only 118 cities, 26 counties, and 63 special purpose districts. The \$1 billion in funding sought benefits 90 domestic water, 59 wastewater, and 19 stormwater systems; 28 roadways; and 7 solid waste/recycling facilities. Each project funded impacts a unique group of citizens; however, affordability and access are negatively impacted when systems are managed by crisis rather than proactive maintenance, expansion, and upgrade.

Additionally, infrastructure is a prime determining factor when deciding to locate, maintain, and expand business. A prime example is the city of Pasco's Process Water Reuse Facility (PWRF) improvements project, which is part of the PWB pipeline of projects that applied for financing in FY20, passed scoring threshold, did not receive an award because of lack of funds, and is still looking for funding. By Department of Ecology order, the city must transition wastewater service for a food processing plant from the city's wastewater treatment plant to the PWRF. The PWRF is already at capacity with the five current food processing plants it services and cannot service additional connections without upgrades and expansion. By completing this project, the city will be able to retain at least 1,200 jobs and create an additional 250 jobs, not counting the jobs retained within the agricultural jobs associated with growing and harvesting. The upgraded wastewater management system will allow for the expanded operations at existing food processing plants, the locating of new processing plants, and expanded residential and commercial capacity. This is a necessary step for the city as its anticipated population growth is 68% over the next 20 years.

Please note: PWB began conducting stakeholdering on these proposals in June 2021, with its Board meeting where a panel of core stakeholder groups (AWC, WSAC, WPUA, and WSWD) participated. This continued in July with a meeting between the associations and the Board Chair and Executive Director. The stakeholders indicated support for this concept, for restoration of revenues to the Public Works Assistance Account, and the other proposals under consideration by the PWB. PWB consulted the Puget Sound Partnership, which supports infrastructure that projects the environment generally, and the concept of this and the Innovative Infrastructure Pilot. PWB also discussed this and its other concepts with the SYNC collaborative, and interagency partnership with COM, ECY, DOH, TIB, and the WSDOT. The partners are encouraging of PWB pursuing this request.

6. Will other funding be used to complete the project? How much, what fund source, and could the request result in matching federal, state, local, or private funds?

As the PWB's recent funding cycle demonstrates, existing resources are not enough to meet community infrastructure needs. It is unusual for a project to be fully funded by one source, and frequently multiple sources are necessary to complete a project. In FY21, the \$123 million in PWB loan awards leveraged more than \$239 million in state, federal, and local infrastructure investment; infrastructure projects achieves a job multiplier of 10.89, for a total 2,603 jobs. The economic output generated with this investment is \$471 million, based on a total output modifier of 1.97.

7. Describe how this project supports the agency's strategic master plan or would improve agency performance. Reference feasibility studies, master plans, space programming, and other analyses as appropriate.

The 2021-2023 Commerce Strategic plan is rooted in three focus areas: Economic Recovery, Equity and Community Development. This proposal specifically contributes to all three focus areas in the following ways in Commerce's plan:

- Building reliable infrastructure and building outreach to communities.
- The addition of capital funds would allow an increase to all PWB Traditional Programs to fund infrastructure systems: bridges/roads and streets, sanitary sewer systems, domestic water systems, storm sewer systems, and solid waste/recycling.
- Outreach to communities includes tech teams, regional trainings, and technical assistance.

This request also supports the Results Washington Goal 2 Prosperous Economy, Goal 3 Sustainable Energy and Clean Environment and Goal 4 Healthy and Safe Communities. Authorizing funding for the construction and pre-construction loan programs will directly:

- Reduce the emissions of greenhouse gases by local governments. The [Horn Rapids Landfill](#) construction project in the city of Richland, awarded by PWB in FY20, will collect landfill gas emissions for re-use as biogas.
- Reduce the amount of potable water used for non-potable purposes. The King County Pre-construction Brightwater Reclaimed Storage project, awarded PWB funding in FY20, reduces the area's draw on potable water sources for irrigation purposes and allows for aquifer recharge. The construction phase of this project is part of the PWB pipeline of known projects.
- Improve the quality of water discharged into Washington waterways. The FY20 awarded King County [Georgetown Wet Weather Treatment Station](#) construction project manages stormwater flows in the Georgetown area of Seattle. Completion of this project will keep hundreds of thousands of gallons of partially treated effluent from discharging into the Duwamish River every year.
- Increase transportation mobility. The FY20 construction award to the city of Long Beach for its [Washington Avenue South](#) project will not only allow the City to place a new water main to ensure clean domestic water and fire flow to the southern half of their distribution system, it will also allow the City to widen and resurface Washington Avenue South to create an alternate route through town. This alternate route will increase pedestrian safety, facilitate the efficient movement of goods and services, and relieve congestion.
- Create jobs. The PWB does not collect job data directly from its applicants. However, 25 percent of the applicants for funding in FY20 indicated economic development as a driver for their infrastructure project. Additionally, 87 percent of the FY20 applicants were addressing failing or failed systems. The failure of infrastructure results in economic decline, the loss of commercial and industrial employers, and the inability to provide affordable housing. One such construction project awarded in FY20 by the PWB is the city of Connell's [Country Estates Sewer Improvements](#). The current sewer system is failing, costing the City in staff time and reserve funding to deal with backups and blockages. Additionally, due to these system issues, the City is unable to develop several parcels of land that would be connected for sewer service.
- Enable businesses to thrive, ensure that school is uninterrupted, allow public access to recreational facilities, and mitigate adverse impacts on utility human and financial resources. This can be done by completing projects such as the [Pearl Street Drainage and Wastewater Improvements](#) construction project. The Beacon Hill area in Seattle has a combined sewer system that experiences repeated backups into the public right-of-way across from Maple Elementary School and neighborhood homes and businesses. Additionally, stormwater flooding has been significant in the elementary school and the public Maplewood Playfield

8. For IT-related costs:

- Does this project fund the development or acquisition of a new or enhanced software or hardware system or service?



- Does this decision package fund the acquisition or enhancements of any agency data centers? (See [OCIO Policy 184](#) for definition.)
- Does this decision package fund the continuation of a project that is, or will be, under OCIO oversight? (See [OCIO Policy 121](#).)

N/A

If the answer to any of these questions is yes, continue to the IT Appendix and follow the directions to meet the requirements for OCIO review.

9. If the project is linked to the Puget Sound Action Agenda, describe the impacts on the Action Agenda, including expenditure and FTE detail. See Chapter 13 (Puget Sound Recovery) in the 2019-21 Operating Budget Instructions.

PWB staff submits a list of prioritized projects to the Puget Sound Partnership (Partnership) as a part of threshold review. This process includes consideration and feedback from Partnership staff on whether projects are consistent with the Puget Sound Action Agenda. The Partnership includes information on relevant PWB-funded projects annually in its required reporting to the National Estuary Program.

10. Does this project contribute to statewide goals to reduce carbon pollution and/or improve energy efficiency? If yes, please elaborate.

The steady decrease of funding options for local governments has occurred simultaneously with the need to rehabilitate or replace systems that have been in place for 30 or more years. These aging systems need to be brought up to current standards to align with the governor's carbon reduction strategy. Replacing outdated infrastructure will improve environmental quality and be able to provide strategic traffic linkages for more efficient transport of goods. Infrastructure can contribute to reducing carbon pollution and energy efficiency, but consistent investment is necessary to realize this potential.

A prime example of the positive impacts stemming from replacing an aged sewer system is the use of methane recapture technology that both reduces greenhouse gas emissions and saves energy as the methane is used to provide power. In addition to this technology, modern sewage processing creates compost that can be used on farms and by residents to reduce the need for petroleum-based fertilizers. This process can make the water clean enough that it can be used for irrigation, flushing, washing clothes, and other non-potable uses, therefore decreasing the demand on our limited water supply.

These examples provide the building blocks necessary for sustainable communities. The clean water created by modern sewer technology can be used as the water necessary to provide sufficient fire flow, irrigation, and other nonpotable uses. The use of methane to power sewer plants makes them self-sustaining and keeps costs within reach of the ratepayers, residential and commercial alike. The use of treated water for non-potable uses frees up the potable water for food processing and other commercial water-intensive activities. The PWB and the department are dedicated to the long-term sustainability of Washington's communities. The construction loan programs are strategic programs that support these goals.

11. Does this project mitigate the effects of climate change and strengthen the resiliency of communities and the natural environment? If yes, please elaborate.

PWB financing enable communities to design, construct, rehabilitate, and upgrade the infrastructure systems that mitigate the impact of human activities on the environment. Replacement of outdated systems allows for the recovery of fish habitat, local ecology, and water quality.

The modernization of infrastructure is a clear and necessary step in moving towards resilient communities. It allows legacy systems to utilize the most current technologies to move towards carbon neutral solutions and increased energy efficiency.

PWB funding also assists the state in addressing Diversity, Equity, and Inclusion (DEI) goals. National studies indicate that communities of color are less likely to have access to clean, affordable drinking water and wastewater services. These communities are also at a higher likelihood to have services turned off as rates increase (emergency repairs are the leading cause of dramatic increases in ratepayer costs). Similarly, implementation of stormwater management and maintenance of roads lags behind in these communities.

Such investments move the state towards sustainable infrastructure that accounts for environmental, social, and economic realities while increasing resilience, functionality, and access.

12. Is there additional information you would like decision makers to know when evaluating this request?

Presently, the PWB has \$4.5 million available for emergency projects. There is no available funding to hold a construction cycle. Without an infusion of dollars as proposed in this DP, the PWB will not have a construction cycle for the foreseeable future.

Emergency Construction- 12-month period to complete the projects and 20 years to pay back principle and interest.

**RCW that establishes grant (if applicable):**

**Application process used (grants; if applicable):**

For this supplemental request, we would have a funding cycle in July 2022, if funds are remaining a cycle will be schedule later such as January 2023. These cycles align with the federal State Revolving Fund (SRF) programs to maximize available federal resources.

- Application is designed based on the criteria outline in RCW 43.155.070, eligibility, priority, limitations and exemptions. The application is approved by the Board.
- Significant outreach to inform applicants on the availability of resources.
- Webinars and workshops are conducted to educate clients on the requirements and limitations, depending on the timing of appropriation and steady funding.
- On-going technical assistance is provided to the clients responding to the application question from the PWB project managers.
- A team is created includes Board and other state agency staff. Each team member reviewed and scored all applications in accordance with the criteria and policies set forth by the Board. The final score is an average between the reviewing team members. The team discussed each element, and have notes for debriefing applicants as needed.
- Numerically prioritized list with all information is presented to the Public Works Board for consideration. A minimum score of 65 out of 100 points in our scoring matrix as the funding threshold.
- Financial underwriting on all applicants and projects is completed.
- Loan forgiveness (grant):
  - Construction Loan: Clients meeting the severe hardship criteria may receive 5% loan forgiveness, when they have completed the scope of work in the Construction loan
  - Emergency and Pre-Construction Loans: Clients meeting the severe hardship criteria may receive 20% loan forgiveness, when they have completed the scope of work in the Construction loan
- Upon Board approval of projects, the contracting process can start.

- Debrief clients not recommended for funding consideration.

**Is a project list available? If so, please attach and/or include this information.**

**Expenditure calculations and assumptions** – *Display the calculations (e.g., unit costs and formulas) used to arrive at expenditure and workload estimates connected with the Capital Project Request. Clearly identify the factual basis of any policy or workload assumptions and how the cost estimates are derived from these assumptions.*

Construction loans requesting \$250,000,000 have a five-year period to complete the projects and 20 years to pay back principle and interest.

Year 1- 15% of loan amount drawn	\$ 37,500,000
Year 2- 30% of loan amount drawn	\$ 75,000,000
Year 3- 35% of loan amount drawn	\$ 87,500,000
Year 4- 15% of loan amount drawn	\$ 37,500,000
Year 5- 5% of loan amount drawn (final draw)	\$ 12,500,000

**Estimated Total Expenditures:**

Account	2021-2023	2023-2025	2025-2027	2027-2029	2029-2031
Fund 355- Bonds	\$ 250,000,000				
<b>Total</b>	<b>\$ 250,000,000</b>				

**FTE's: (Fund)**

Operating costs for Capital investments are covered in a separate operating appropriation. That operating appropriation covers 9 FTEs, and all costs associated with administering the Board. The cost of administering the \$250 million capital request is less than 1 percent of the total request.

FTEs	2021-2023	2023-2025	2025-2027	2027-2029	2029-2031
Fund					
<b>Total</b>					

Contact	
Preparer Name:	Karin Berkholtz, Executive Director Connie Rivera, PWB Program Director
Assistant Director Approval?	<input type="checkbox"/> Mark Barkley
Preparer phone number:	360.688.0313 (Karin) and 360.704.9535 (Connie)
Date:	August 6, 2021



## Capital Project Request - Narrative Template

### 2021-2031 Biennial Capital Budget Plan | FY22 Supplemental Budget Request

#### Section 1

Proposed Title:	<b>Public Works Clean and Safe Water Pilot</b>
Project Class/Type	<b>Grants/Loans</b>
Agency Activity:	<b>A113-Public Works Infrastructure</b>

#### Section 2 – Additional Capital Project Request Requirements

**Starting year.** Identifies the year an agency intends to start the proposed project or expenditures for specific purposes:

Starting Year:	<b>FY 2023</b>
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**Agency summary.** This is also known as the project summary or Recsum text. Provide a brief, clear and concise description of the project, including the problem or opportunity and how the proposed project addresses it:

The Public Works Board (PWB) requests \$50 million in resources to create a pilot program to promote community and ecosystem resilience for clean and safe water. This pilot will support innovations in water reuse, including stormwater reuse, use of technology to reduce effluent discharge in waterways, water storage, and green stormwater solutions. The PWB seeks to fund projects that pave the way for new and effective infrastructure approaches.

**Project description.** Describe the proposed project. Provide answers to the following questions, which will inform decision makers about the proposed project.

Through this pilot program the PWB will promote innovative infrastructure solutions that address high level effluent discharge, creative stormwater treatments, and water reuse projects. Low-income communities and communities of color are hit first and worst by climate change and pollution. One example is the Green-Duwamish Watershed, home to economically and ethnically diverse neighborhoods, urban and rural populations and industrial areas. The Duwamish is culturally significant to the Duwamish Tribe and serves as the city of Tacoma's source for municipal water. The Duwamish flows into Puget Sound, an estuary of national significance for both environmental and economic functions and values, and home to endangered species, including the keystone J-Pod population. In eastern Washington, climate change and drought are impacting water availability. Water reuse is one way to support growth and development while improving water available for streamflow, fish passage, irrigation for agriculture, and habitats.

This pilot is not intended to conflict with or duplicate existing programs. Rather it is intended to pilot concepts that are innovative and that can be replicated, thus accelerating progress for important water quality and quantity goals, and benefit communities and ecosystems for which access to clean and healthy water is challenging, yet essential.

1. Identify the problem or opportunity addressed. Why is the request a priority? This narrative should identify unserved/underserved people or communities, operating budget savings, public safety improvements, or other backup necessary to understand the need for the request. For preservation projects it is helpful to include information about the current condition of the facility or system.

Water resources are stressed and finite. The state is experiencing continued population growth and drought. This pilot serves eligible clients (cities, counties, special purpose districts, and public utility districts) who are pursuing innovative infrastructure solutions to improve access to safe and healthy water for communities, businesses and the environment.

The changing climate is reducing mountain snowpack impacting endangered species, ecosystem functions, cultural practices, and commerce. In a July 6, 2021 press release Quincy mayor Pat Haley describes an industrial wastewater reuse system for data centers partially funded by the PWB. He emphasizes needing to find a way to treat and reuse wastewater generated by the city's food processors and from the city's 8,200 residents. His goal? "Don't throw this water down the drain." The work in Quincy is not finished. The city enacted an ordinance requiring all data centers to connect to the water reuse system. Doing so requires costly connections and expansion of the system's capacity.

There are 80 sewage treatment plants in the Puget Sound region. Presently, the Department of Ecology (ECY) is developing rules to govern wastewater plants discharging treated sewage into the Puget Sound. A significant issue is discharge of nitrogen which causes algae blooms and other conditions and throws the water chemistry of the Sound out of balance. Improving the wastewater process to remove nitrogen from wastewater discharge can improve the health of the Puget Sound for humans, shellfish and salmonids. The fund source to remove nitrogen is uncertain. A 2020 study by King County estimates that modest nitrogen reductions at all three of its main plants could cost about \$305 million. More stringent standards increase those costs to \$5.4 billion. ECY estimates that more than two-thirds of all the nitrogen from Puget Sound treatment plants is generated in Seattle and Tacoma. A 2015 study<sup>1</sup> by the US Environmental Protection Agency evaluated 12 case studies where treatment plants underwent low cost modifications to improve nitrogen removal. The costs for these improvements ranged from \$0 to + \$2 million. The quantified operational cost savings of these improvements ranged from \$0 to over \$520 thousand. In one instance energy savings more than offset \$1,000 per year in maintenance costs. Addressing effluent discharge in Puget Sound will support Puget Sound Vital Signs, key indicators of Puget Sound health in the Puget Sound Action Agenda. Reducing harmful algae blooms means more beaches open to swimming and clamming, and better conditions for the eelgrass meadows around the Sound that are home to fish and crustaceans favored by birds, salmon and orca. According to a model<sup>2</sup> developed by ECY, the Pacific Northwest National Laboratory and EPA, if all 80 wastewater treatment plants limited their nitrogen output from April through October, the area of Puget Sound experiencing low oxygen levels could be cut in half.

According to the Washington State Association of Counties (WSAC), there are 4,100 fish barriers on county roads statewide, yet neither cities nor counties have dedicated revenue sources to improve fish passages<sup>3</sup>. The cost of removing these exceeds \$7 billion dollars. Washington cities are similarly challenged. There are over 1,500 city-owned fish passage sites and the cost to remove all barriers exceeds \$4.2 billion. Presently, neither cities nor counties have a revenue stream to fund removal or replacement of culverts impeding fish passage.

The opportunity exists under PWB statute, which allows for multi-purpose/multi-benefit projects to advance energy goals, such as decarbonization, in conjunction with investments in infrastructure to achieve climate change, alternative energy, and social equity goals. For example, could electric charging stations be collocated with road reconstruction projects that also incorporate innovative stormwater approaches? Could small rural utilities and cooperatives augment their distribution systems with batteries? Could on-site systems like rooftop solar and onsite water treatment, or turning agricultural waste into fuel be ways of advancing social equity?

2. What will the request produce or construct (i.e., predesign or design of a building, construction of additional space, etc.)? When will the project start and be completed? Identify whether the project can be phased, and if so, which phase is included in the request. Be prepared to provide detailed cost backup.

The request for \$50 million in state taxable bond resources is assumed to produce a similar project award size as the PWB traditional program's project awards. The average request for the 2021 PWB

<sup>1</sup> [https://www.epa.gov/sites/default/files/2015-08/documents/case\\_studies\\_on\\_implementing\\_low-cost\\_modification\\_to\\_improve\\_potw\\_nutrient\\_reduction-combined\\_508\\_-\\_august.pdf](https://www.epa.gov/sites/default/files/2015-08/documents/case_studies_on_implementing_low-cost_modification_to_improve_potw_nutrient_reduction-combined_508_-_august.pdf)

<sup>2</sup> <https://www.pnnl.gov/projects/salish-sea-model>

<sup>3</sup> <https://thelens.news/2019/08/13/are-local-and-county-culverts-in-legal-danger/>

construction awards was approximately \$3.4 million. That would produce approximately 15 clean and safe water construction projects. The drawdown of these projects is also assumed to mirror that of the PWB traditional program (see expenditure assumptions at the end of this proposal).

A strength of the PWB model is that with one investment a project can reap multiple benefits. Trees, wetlands, and watersheds are natural systems. They coexist with roads and bridges, sanitary sewer, domestic water, stormwater, solid waste/recycling and broadband infrastructure.

To that end, the PWB will seek projects with multi-system benefit; those projects that by improving core infrastructure systems contribute to climate and ecosystem resiliency and sustainability. Projects that prioritize water reuse, reduce effluent discharge, support culvert removal and provide water storage in upper reaches of watersheds to benefit fish passage and streamflow, and innovative applications that integrate infrastructure with energy generation, such as micro-generators in water conveyance pipes and solar arrays collocated with reservoirs to generate power while reducing evaporation, are the types of innovations the PWB seeks to support.

3. How would the request address the problem or opportunity identified in question #1? What would be the result of not taking action?

*Regarding reducing high level effluent discharge:* While the Department of Ecology, in partnership with the US Environmental Protection Agency implemented the No Discharge Zone in Puget Sound and waterways flowing into Puget Sound to reduce vessel discharge into the Sound. There are communities with old collection systems where combined sewer overflows (CSO) result in discharge of raw sewage into Puget Sound. Sometimes low-cost alternatives, are effective in reducing effluent discharge, sometimes more costly solutions are required. Are there innovative and replicable technologies that could accelerate the rate at which local governments could repair CSO issues, thus accelerating the pace of recovery of the Puget Sound?

*Regarding stormwater management:* the chemical 6PPD-quinone<sup>45</sup> is added to vehicle tires to extend their useful life. The chemical is toxic to Coho salmon, but perhaps less impactful to other salmonids. While scientists continue their research into the effects of tire chemistry, are there stormwater technologies that could be incorporated in the design of roadways and bridges to collect and treat stormwater before it hits freshwater creeks and other waterways?

*Regarding water reuse:* Are there onsite water treatment and reuse technologies<sup>6</sup> that utilize ecological treatment processes to treat wastewater for beneficial reuse? Could application of these technologies reduce the load on municipal infrastructure effectively to extend the useful life of the infrastructure and reduce impacts of infrastructure failures, or put that water to use in other ways reaping ecological or economic benefits? Can this be accomplished at a variety of scales, such as small scale iron and sand filters and other onsite applications? Can this be applied in urban and rural settings to stay saltwater intrusion through a groundwater replenishment system to preserve drinking water sources?

*Regarding culvert removal and water storage:* Cities have over 1,500 barriers. A benefit to the PWB funding stormwater and culvert replacement is that these projects can be coupled with other infrastructure investments – a multisystem approach reaping multiple benefits.

*Regarding multiple benefits:* Can projects achieve multiple objectives, generating electricity within a water conveyance pipe, for example?

<sup>4</sup> <https://www.wastormwatercenter.org/research/tiresandsalmon/>

<sup>5</sup> <https://www.pugetsoundinstitute.org/2020/12/discovery-of-toxic-chemical-in-tires-spurs-scientific-and-regulatory-interest/>

<sup>6</sup> <https://mde.maryland.gov/programs/Water/waterconservation/Pages/innovations.aspx>

4. What alternatives were explored? Why was the recommended alternative chosen? Be prepared to provide detailed cost backup. If this project has an associated predesign, please summarize the alternatives the predesign considered

This Pilot has been discussed with the departments of Ecology, Health, Transportation, Commerce, the Transportation Improvement Board, the Puget Sound Partnership and staff at Seattle Public Utilities. Washington State's Infrastructure System Improvement Team (Sync), considered the concept at its August 5, 2021 meeting. While recognizing the existing efforts underway in many of the topical areas identified in this proposal, the concept of a pilot to explore innovative technologies is attractive.

The PWB Chair and Executive Director discussed this proposal with the Association of WA Cities, the Washington State Association of Counties, and the Washington Water and Sewer District Association, who recommended the pilot as a stand-alone concept rather than incorporating it into another decision package. They felt the opportunities presented by this concept could benefit their membership as they seek solutions to local water infrastructure challenges.

The Executive Director discussed the concept with Dr. Joel Baker, Executive Director of the Puget Sound Institute, who sees this proposal coming at an opportunity with water quality and quantity issues being linked to infrastructure, in particular.

5. Which clientele would be impacted by the budget request? Where and how many units would be added, people or communities served, etc.

This project has statewide benefit. Eligible applicants include counties, cities, and special purpose districts. There are nearly 2,000 governmental organizations eligible for this funding.

6. Will other funding be used to complete the project? How much, what fund source, and could the request result in matching federal, state, local, or private funds?

This project could be an eligible use of federal infrastructure and stimulus funding.  
This project could explore public-private partnerships.

7. Describe how this project supports the agency's strategic master plan or would improve agency performance. Reference feasibility studies, master plans, space programming, and other analyses as appropriate.

The 2021-2023 Commerce Strategic plan is rooted in three focus areas: Economic Recovery, Equity and Community Development. This proposal specifically contributes to all three focus areas in the following ways in Commerce's plan:

- Infrastructure maintenance, development, and modernization enables the retention and attraction of business, provides for the maintenance and expansion of residential units, and ensures the continuation of services through normal and emergency operation conditions.
- Outreach to communities includes tech teams, regional trainings, and technical assistance.
- Funds infrastructure systems: bridges/roads and streets, sanitary sewer systems, domestic water systems, storm sewer systems, and solid waste/recycling.
- Ensures that citizens have clean and safe drinking water, appropriate and safe wastewater, and safe roads.

This request is directly tied to Results Washington Goal 2 Prosperous Economy, Goal 3 Sustainable Energy and Clean Environment and Goal 4 Healthy and Safe Communities by funding infrastructure

systems ensuring that citizens have clean and safe drinking water, appropriate and safe wastewater, and safe roads.

8. For IT-related costs:

- Does this project fund the development or acquisition of a new or enhanced software or hardware system or service?
- Does this decision package fund the acquisition or enhancements of any agency data centers? (See [OCIO Policy 184](#) for definition.)
- Does this decision package fund the continuation of a project that is, or will be, under OCIO oversight? (See [OCIO Policy 121](#).)

No IT impacts.

If the answer to any of these questions is yes, continue to the IT Appendix and follow the directions to meet the requirements for OCIO review.

9. If the project is linked to the Puget Sound Action Agenda, describe the impacts on the Action Agenda, including expenditure and FTE detail. See Chapter 13 (Puget Sound Recovery) in the 2019-21 Operating Budget Instructions.

This project could positively impact the implementation of the Puget Sound Action Agenda. This pilot could lead to Near Term Actions that would benefit the protection and restoration of Puget Sound. Presently only one infrastructure project is a NTA in the Action Agenda, the Port Hadlock project in Jefferson County. If one or more selected project results in a replicable technology, then there could be the potential to accelerate Puget Sound recovery through broader application of these technologies.

10. Does this project contribute to statewide goals to reduce carbon pollution and/or improve energy efficiency? If yes, please elaborate.

PWB funding also assists the state in addressing Diversity, Equity, and Inclusion (DEI) goals. National studies indicate that communities of color are less likely to have access to clean, affordable drinking water and wastewater services. These communities are also at a higher likelihood to have services turned off as rates increase (emergency repairs are the leading cause of dramatic increases in ratepayer costs). Similarly, implementation of stormwater management and maintenance of roads lags behind in these communities. Such investments move the state towards a sustainable infrastructure system that accounts for environmental, social, and economic realities while increasing resilience, functionality, and access. The low cost associated with a PWB loan enables a jurisdiction to look at their projects through a broader, more diverse lens while maintaining the affordability of their end user rates.

This proposal is consistent with Governor Inslee's energy and environment goals for reducing pollutants and seeking climate-safe alternatives to environmental challenges. For the Puget Sound region, the projects funded through this pilot could contribute to protecting the safety and livelihood of Southern Resident orca, the state's shellfish industry, and salmonid species.

This pilot is consistent with the April 5, 2021 letter the Governor sent to members of the Washington congressional delegation detailing priorities for infrastructure and clean energy in federal infrastructure legislation. These priorities include climate and clean energy, forest, watershed health and water resources, and clean water infrastructure.

Access to clean and safe water aligns with the Governor establishing environmental justice as a core priority.

11. Does this project mitigate the effects of climate change and strengthen the resiliency of communities and the natural environment? If yes, please elaborate.

The AWC Climate Resilience Handbook states that climate change is having a profound effect on the environment and its connectedness with people and municipalities of all sizes. The report continues that preparing for significant infrastructure changes caused by flooding and surface water management, upgrading infrastructure are ways cities can respond to changing climate. Adaptation strategies, such as those with social and environmental benefits, can help increase community resilience. This pilot seeks to fund adaptation strategies, such as those identified in the AWC report. These include innovations to advance “one water” approaches; breaking down traditional approaches to water management to optimize water use, efficiency, and environmental and community benefits.<sup>7</sup> This is consistent with the recently published Green Economic Work Group recommendations, which include looking at a new framework for managing water systems using the “One Water” approach. This pilot is consistent with that framework. The AWC report goes on to speak about implications of climate change to infrastructure systems, and calls for the need to build new infrastructure to build tomorrow’s needs. One of those needs is for multi-system, multi-benefit solutions such as coupling clean energy with water infrastructure planning and construction to respond to climate change. The report states that demand for clean energy coupled with climate-related impacts to infrastructure systems, roads and water for example, is changing how governments and special purpose districts plan and delivery infrastructure services. The projects funded through this pilot could provide replicable best practices for infrastructure that affects resiliency of built and natural environments.

12. Is there additional information you would like decision makers to know when evaluating this request?

This proposal intends to invest all the funding, except for that needed to cover administrative costs, in projects. FTE costs for the PWB are covered through other mechanisms.

**RCW that establishes grant (if applicable):** PWB authorities under RCW 43.155.070 include prioritizing projects that promote the sustainable use of resources and environmental quality, abatement of pollution and protection of the environment, reduce the overall cost of public infrastructure, and whether the project is critical in nature and would affect the health and safety of many people. PWB authorities also include fostering economic development and the creation of new, family-wage jobs, achieving equitable distribution of funds by geography and population, and whether the PWB investment supports systems that are well managed for long-term sustainability. RCW 43.155.075 authorizes the PWB to issue loans and grants.

**Application process used (grants; if applicable):**

The PWB anticipates a competitive cycle to award funding to projects that advance innovative infrastructure for safe and healthy water. The PWB offers low interest loans at very competitive rates, and is authorized to issue grants.

**Is a project list available? If so, please attach and/or include this information.**

**Expenditure calculations and assumptions** – *Display the calculations (e.g., unit costs and formulas) used to arrive at expenditure and workload estimates connected with the Capital Project Request. Clearly identify the factual basis of any policy or workload assumptions and how the cost estimates are derived from these assumptions.*

<sup>7</sup> <https://cfqc.org/wp-content/uploads/2021/06/ClimateHandbook.pdf>



Year 1- 15% of loan amount drawn	\$7,500,000
Year 2- 30% of loan amount drawn	\$15,000,000
Year 3- 35% of loan amount drawn	\$17,500,000
Year 4- 15% of loan amount drawn	\$7,500,000
Year 5- 5% of loan amount drawn (final draw)	\$2,500,000
Total	\$50,000,000

**Estimated Total Expenditures:**

Account	2021-2023	2023-2025	2025-2027	2027-2029	2029-2031
Fund 355	\$50,000,000				
<b>Total</b>	<b>\$50,000,000</b>				

**FTE's: (Fund)**

FTEs	2021-2023	2023-2025	2025-2027	2027-2029	2029-2031
<b>Total</b>					

Contact	
Preparer Name:	Karin Berkholtz
Assistant Director Approval?	<input type="checkbox"/>
Preparer phone number:	360.688.0313
Date:	6 August 2021

## Capital Project Request - Narrative Template

### 2021-2031 Biennial Capital Budget Plan | FY22 Supplemental Budget Request

#### Section 1

Proposed Title:	<b>CERB Capital Program</b>
Project Class/Type	<b>Infrastructure (Major Projects)</b>
Agency Activity:	<b>A035 Community Economic Revitalization Board</b>

#### Section 2 – Additional Capital Project Request Requirements

**Starting year.** Identifies the year an agency intends to start the proposed project or expenditures for specific purposes:

Starting Year:	<b>FY 2023</b>
----------------	----------------

**Agency summary.** This is also known as the project summary or Recsum text. Provide a brief, clear and concise description of the project, including the problem or opportunity and how the proposed project addresses it:

The Community Economic Revitalization Board (CERB) provides low-cost infrastructure financing and site-specific planning funds to local governments, special purpose districts and federally recognized Indian Tribes to attract and retain private businesses, create permanent private jobs, and promote community economic development (RCW 43.160).

**Project description.** Describe the proposed project. Provide answers to the following questions, which will inform decision makers about the proposed project.

CERB requests \$25 million in resources to construct public infrastructure to facilitate private business development and expansion in Washington's communities from the State Taxable Building Construction Account (Fund 355). These projects include industrial water, general purpose industrial buildings and port facilities, sanitary and storm sewers, industrial wastewater treatment facilities, railroad spurs, telecommunications, electricity, natural gas, roads and bridges, and incubation/research/testing facilities.

As funding recipients repay loan funds to CERB, those funds will return to the Public Facility Construction Loan Revolving Account (Fund 887) and can finance other public infrastructure related to economic development.

1. Identify the problem or opportunity addressed. Why is the request a priority? This narrative should identify unserved/underserved people or communities, operating budget savings, public safety improvements, or other backup necessary to understand the need for the request. For preservation projects it is helpful to include information about the current condition of the facility or system.

For the 2019-21 biennium CERB received \$8.6 million in funding authority. Due to high demand, in the 2020 supplemental session CERB received an additional \$10 million in funding authority.

CERB Appropriation	\$18,600,000
Carry-Forward	\$2,101,494
De-Obligations	\$3,590,436
Awards (43 projects)	\$24,415,453
Balance	\$402,472

#### INCREASE OF CONSTRUCTION PROJECT COSTS

Q1 2021 Materials Pricing increased 26.3% (Seattle)

Q1 2021 Construction Cost Index increased 5.2% (Seattle)

Q1 2021 Construction Employment has been flat (lack of skilled people to employ) (Seattle)



2020 to 2021 Construction Labor Cost increased 7.8% (Associated Builders & Contractors-Nationwide)

“Raw material shortages and manufacturing issues have contributed to sharp increases in building materials over the past year.”

“As markets rebound with increased private and government spending, the industry may see additional upward pressure on pricing. We continue to monitor this somewhat unpredictable market and know that a resilient, agile approach to projects will be necessary in the months to come.”  
(<https://www.mortenson.com/cost-index/seattle>)

CERB is a vital business recruitment and retention program for the state, often preventing existing businesses from moving out of state and attracting new businesses to Washington. CERB’s economic development mandate requires that all projects approved by the board demonstrate significant job creation, job retention, or significant private investment outcomes.

Areas of high unemployment receive reduced interest rate loans from CERB to incentivize job creation where it is most needed. A continuation of CERB’s funding at \$25 million for the biennium will provide the critical gap funding to make local economic development projects a reality. CERB primarily provides gap funding that leverages other local, state, and federal funds and private investments.

CERB investment in a community is not only in support of businesses, job creation, private investment, and increased tax revenue. CERB’s investment has many ancillary benefits when it invests in a community, such as:

- Housing and Homelessness
- Health Care and Mental Health Care
- Education
- Diversity, Equity and Inclusion

2013-21: 118\* CERB funded Planning Studies (Assumptions: 75% of the original studies could return to CERB construction funding at an average of \$1.4 million per project.) Data is based on CERB estimated 5 year averages July 2016 - June 2021.

Results:

88 Constructions Projects

\$123.2 million CERB Construction Funds

\$281.6 million leveraged local match (2016-21 average: \$2 per \$1 CERB)

\$985.6 million leveraged private investment (2016-21 average: \$8 per \$1 CERB)

10,536 Full-time Jobs (2016-21: \$11,693 cost per job)

Project Development Pipeline:

109 - \$176.4 million, Construction Projects

20 - \$750,000 Planning Projects

129 - \$177.2 million Total

Results:

109 Construction Projects

\$176.4 million CERB Construction Funds

\$352.8 million leveraged local match (2016-21 average: \$2 per \$1 CERB)

\$1.4 billion leveraged private investment (2016-21 average: \$8 per \$1 CERB)

15,085 Full-time Jobs (2016-21: \$11,693 cost per job)

\$299.6 million\*\* – Total Pipeline Projects

Results:

197 Construction Projects

\$299.6 million CERB Construction Funds  
 \$634.4 million leveraged local match (2016-21 average: \$2 per \$1 CERB)  
 \$2.38 billion leveraged private investment (2016-21 average: \$8 per \$1 CERB)  
 25,621 Full-time Jobs (2016-21: \$11,693 cost per job)  
*\*Economic Development and Broadband Planning*  
*\*\*does not include rural broadband construction projects*

**CORE CERB Projections:** Based on the 2016-2021 averages, an additional \$25 million would result in the following:

17 Construction Projects (\$23.8m)  
 24 Planning Projects (\$1,200,000)  
 \$47.6m leveraged local match (2016-21 average: \$2 per \$1 CERB)  
 \$190.4m leveraged private investment (2016-21 average: \$8 per \$1 CERB)  
 2,035 Full-time Jobs (2016-21: \$11,693 cost per job)

Construction projects in general are more difficult to fully fund due to the increase in commercial construction materials and labor.

2020 CERB Biennial Review: <https://deptofcommerce.box.com/v/cerb2020legreport>

2. What will the request produce or construct (i.e., predesign or design of a building, construction of additional space, etc.)? When will the project start and be completed? Identify whether the project can be phased, and if so, which phase is included in the request. Be prepared to provide detailed cost backup.

CERB funds will be used to construct public infrastructure and to facilitate private business development and expansion. These projects include industrial water, general purpose industrial buildings and port facilities, sanitary and storm sewers, industrial wastewater treatment facilities, railroad spurs, telecommunications, electricity, natural gas, roads and bridges, and incubation/research/testing facilities. Site-specific economic feasibility and planning studies will also be eligible for CERB funds on a limited basis.

Clients will have increased access to funding, particularly jurisdictions in urban counties. By statute, CERB must award the first 75 percent of its available funding in a biennium to rural communities, limiting the number of projects in urban communities that the board can finance. With increased resources available for projects, rural communities within urban counties have increased opportunity to use CERB for economic development projects.

3. How would the request address the problem or opportunity identified in question #1? What would be the result of not taking action?

CERB's capital appropriation of \$25 million in loan funds will leverage more than \$190.4 million in private investment (\$8 private investment per \$1 CERB – 5 year average) and create and retain a minimum of 2,035 permanent jobs (1 job for every \$11,693 CERB – 5 year average).

The \$25 million requested will support the creation of permanent, high-wage jobs in the state, recruit and retain businesses, and support economic vitality statewide. By taking no action, rural communities would have one less prospect for investment that will increase resiliency, and promote collaboration and innovation.

4. What alternatives were explored? Why was the recommended alternative chosen? Be prepared to provide detailed cost backup. If this project has an associated predesign, please summarize the alternatives the predesign considered

The demand for CERB funding exceeds resources available. No funding or partial funding would make an impact in addressing this demand. Due to the increase in funded planning grants, since 2013, CERB has a pipeline of thoroughly vetted projects ready for the next stage of investment, which supports the

economic, environmental, and social needs of local governments, federally recognized Indian tribes, and their residents.

5. Which clientele would be impacted by the budget request? Where and how many units would be added, people or communities served, etc.

Almost 10,000 government organizations are eligible for CERB funding. Federally recognized Indian tribes (29), cities (281), counties (39), public port districts (75), special purpose districts (1670), and municipal and quasi-municipal corporations (1,580 estimated) are all eligible for CERB funding. CERB responds to immediate business siting and expansion needs. Businesses need to know that public infrastructure will be provided before committing to locate or expand operations. CERB's investments strengthen communities by creating and retaining jobs, leveraging private investment, and increasing tax revenue.

The construction jobs related to these projects will pay prevailing wage. CERB provides funding in an ongoing basis throughout the year. CERB currently has 32 projects under contract with an additional 13 jurisdictions that have been approved for funding and are working on the conditions necessary to go to contract.

Refer to pipeline information provided in question #1.

6. Will other funding be used to complete the project? How much, what fund source, and could the request result in matching federal, state, local, or private funds?

It is unusual for a project to be fully funded by one source, and frequently multiple sources are necessary to complete a project. CERB projects are required to have a matching component and will attract additional project investment. Specifics vary, as individual projects each have unique situation regarding other funds.

7. Describe how this project supports the agency's strategic master plan or would improve agency performance. Reference feasibility studies, master plans, space programming, and other analyses as appropriate.

The 2021-2023 Commerce Strategic plan is rooted in three focus areas: Economic Recovery, Equity and Community Development. This proposal specifically contributes to all three focus areas in the following ways in Commerce's plan:

- Funds reliable infrastructure and increases living wage jobs.
- Invests in the basic infrastructure systems and thereby maintaining the existing systems in satisfactory condition through 2022.
- Ensures that citizens have safe drinking water, appropriate and safe waste water, and safe roads.
- Authorizing funding for the construction loan programs will directly reduce the emissions of greenhouse gases by local governments, reduce the amount of potable water used for non-potable purposes, and improve the quality of water discharged into Washington waterways and increases transportation mobility.

This request also supports the Results Washington Goal 2 Prosperous Economy and the following related outcomes:

Increasing Access to living wage jobs: CERB will increase the number of jobs in the state by providing gap funding to make local economic development projects a reality that will create an additional 1,420 jobs.

Ensuring Access to Quality Healthcare: Approximately 98% of businesses supported by CERB's investment provide healthcare to their employees and dependents.

**Increasing the Economic Security of Washingtonians:** CERB's investment supports businesses who hire full-time positions and pay higher than the current county median. This allows an employee to investment of themselves into a company and into their future.

**Reducing Homelessness:** As stated above, CERB's investment supports businesses who hire full-time positions and pay higher than the current county median. Sustainable higher wage jobs, ensure that housing can be paid for. CERB is required to report biennially on the outcome-based evaluations of its funding programs. This report identifies actual jobs created as reported by the borrowing jurisdictions and businesses themselves, and specifically identifies that between 2015 and 2020, 3,516 permanent private-sector jobs were created. An additional 4,552 construction jobs were created from the public and private facilities construction associated with CERB funded projects.

(<https://deptofcommerce.box.com/v/cerb2020legreport>)

Local governments' ability to offer adequate infrastructure (such as transportation systems to move goods, sufficient clean water to ensure adequate fire flow and potable water, plus effective wastewater management) is vital to accommodate growth and the promotion of economic development and business opportunities, while also enhancing the quality of life in the Northwest. This proposal directly supports the ability of local governments to provide these services, which are becoming increasingly expensive and complex to build and maintain to modern standards. This is especially true in non-urban areas, where fewer people spread over larger distances means that single services to multiple communities are not feasible, thus individual community systems are more expensive on a per capita basis.

8. For IT-related costs:

- Does this project fund the development or acquisition of a new or enhanced software or hardware system or service?
- Does this decision package fund the acquisition or enhancements of any agency data centers? (See [OCIO Policy 184](#) for definition.)
- Does this decision package fund the continuation of a project that is, or will be, under OCIO oversight? (See [OCIO Policy 121](#).)

N/A

If the answer to any of these questions is yes, continue to the IT Appendix and follow the directions to meet the requirements for OCIO review.

9. If the project is linked to the Puget Sound Action Agenda, describe the impacts on the Action Agenda, including expenditure and FTE detail. See Chapter 13 (Puget Sound Recovery) in the 2019-21 Operating Budget Instructions.

N/A

10. Does this project contribute to statewide goals to reduce carbon pollution and/or improve energy efficiency? If yes, please elaborate.

CERB is dedicated to the long-term sustainability of Washington's communities, investing in public infrastructure using new and innovative technologies. CERB's construction loan program provides a strategic tool that supports these goals.

11. Does this project mitigate the effects of climate change and strengthen the resiliency of communities and the natural environment? If yes, please elaborate.

CERB is dedicated to the long-term sustainability of Washington's communities, investing in public infrastructure using new and innovative technologies. CERB's construction loan program provides a strategic tool that supports these goals.

12. Is there additional information you would like decision makers to know when evaluating this request?

As stated above, CERB investment in a community is not only in support of businesses, job creation, private investment, and increased tax revenue. CERB's investment has many ancillary benefits when it invests in a community, such as:

Housing and Homelessness – Investing in a stable future

- Sustainable higher wage jobs, ensure that housing can be paid for.
- Instills confidence that they can afford a home long-term.
- Builds confidence and self-reliance.

Health Care and Mental Health Care – Investing gives access to health care

- Jobs that provide: medical benefits and sick time and vacation leave
- Wages that allow for payment of co-pays & prescriptions.
- Removes a barrier to medical services.

Education – Investing in parents

- Gives children stability.
- Gives children hope for the future
- Gives the community a future workforce.

The investments from the CERB account are an economic powerhouse – OFM's prior years' conservative estimate of 10.89 construction related jobs for each \$1 million CERB invested underestimates the job creation from CERB investment. This figure does not take into account the additional funds provided by the local governments through other funding partners. Historically, CERB money has been matched at a 29:1 ratio.

**RCW that establishes grant (if applicable): 43.160**

**Application process used (grants; if applicable):**

Applicants submit loan funding requests to finance publicly owned infrastructure improvements that encourage new private business development and expansion. Applications for all of CERB's funding programs are considered on an ongoing basis. The Board meets every two months to consider projects and make funding decisions.

CERB has three funding programs:

Committed Private Partner construction loans (CPP). CPP applications require a private business commitment and the requirement that the project must create a significant number of permanent jobs, and / or generate significant private investment.

Prospective Development Construction Loans (PD). PD loans are available only to rural counties/communities with an economic feasibility study that demonstrates that private business development is likely to occur as a result of the publicly owned improvements. The PD program requires that the feasibility study identify that the project will lead to the creation of a significant number of permanent jobs and / or generate significant private investment.

Planning Program provides limited funding for studies that evaluate high-priority economic development projects. These projects target job growth and long-term economic prosperity and can include site-specific plans and studies related to:

- Economic Feasibility

- Environmental impacts
- Capital facilities
- Land use
- Permitting
- Marketing
- Project engineering
- Site planning
- Broadband

**Is a project list available? If so, please attach and/or include this information.**

Please see pipeline in question #1.

**Expenditure calculations and assumptions** – Display the calculations (e.g., unit costs and formulas) used to arrive at expenditure and workload estimates connected with the Capital Project Request. Clearly identify the factual basis of any policy or workload assumptions and how the cost estimates are derived from these assumptions.

**Estimated Total Expenditures:**

Account	2021-2023	2023-2025	2025-2027	2027-2029	2029-2031
Fund 355	\$25,000,000				
<b>Total</b>	<b>\$25,000,000</b>				

**FTE's: (Fund)**

FTEs	2021-2023	2023-2025	2025-2027	2027-2029	2029-2031
<b>Total</b>					

Contact	
Preparer Name:	Janea Delk, CERB Executive Director
Assistant Director Approval?	<input type="checkbox"/>
Preparer phone number:	360-252-0812
Date:	July 23, 2021

## Capital Project Request - Narrative Template

### 2021-2031 Biennial Capital Budget Plan | FY22 Supplemental Budget Request

#### Section 1

Proposed Title:	<b>CERB Rural Broadband</b>
Project Class/Type	<b>Infrastructure (Major Projects)</b>
Agency Activity:	<b>A035 Community Economic Revitalization Board (CERB)</b>

#### Section 2 – Additional Capital Project Request Requirements

**Starting year.** Identifies the year an agency intends to start the proposed project or expenditures for specific purposes:

Starting Year:	<b>FY 2023</b>
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**Agency summary.** This is also known as the project summary or Recsum text. Provide a brief, clear and concise description of the project, including the problem or opportunity and how the proposed project addresses it:

The Community Economic Revitalization Board's (CERB) requests \$25 million in resources to construct public broadband infrastructure that will foster community and economic development in rural and underserved communities, serve the growing needs of local education systems, increase local connectivity and resiliency in Washington's communities.

**Project description.** Describe the proposed project. Provide answers to the following questions, which will inform decision makers about the proposed project.

CERB requests \$25 million in resources to construct public broadband infrastructure that will foster community and economic development in rural and underserved communities, serve the growing needs of local education systems, increase local connectivity and resiliency in Washington's communities from the State Taxable Building Construction Account (Fund 355). CERB's Rural Broadband Construction Program allows local governments and federally recognized Indian tribes to own their own broadband infrastructure. They can then lease the capacity to one or many internet service providers, who ultimately provide retail internet service to the end user. This program has changed the conversation with local governments, federally recognized Indian tribes, and the internet service providers, and opened new opportunities for local innovation.

As funding recipients repay loan funds to CERB, those funds will return to the Public Facility Construction Loan Revolving Account (Fund 887) and can finance other public infrastructure related to economic development.

1. Identify the problem or opportunity addressed. Why is the request a priority? This narrative should identify unserved/underserved people or communities, operating budget savings, public safety improvements, or other backup necessary to understand the need for the request. For preservation projects it is helpful to include information about the current condition of the facility or system.

For the 2021-23 biennium CERB received \$25 million in funding authority. CERB receives applications on an on-going basis and reviews applications six times per year.

- July 2021 Meeting: CERB approved \$14.6 million to 9 communities
- September 2021 Meeting: CERB is scheduled to review 6 applications in the amount of \$10.4 million

Much of today's world runs at the speed of light. Essential services, such as our 911 emergency system, banking, and transferring prescriptions from the doctor's office to the pharmacy require high-speed broadband internet connections. Most recently, a majority of workers are doing from and kids are



attending school online Yet today, 2.8 million Washingtonians lack connectivity of at least 25/3 Mbps (Measurement Labs, 2020) which is the minimum speed the FCC states is needed to be considered served.

The picture is grim for many of the small farming towns of southeastern Washington, where cell phone service is spotty, and internet is only available through the over-capacity and tediously slow satellite services. Surveys to evaluate the need show that 61 percent of Asotin County residents lack access to broadband internet. In Whitman County, where Pullman has universal access to the fiber optic lines, 88 percent of rural residents have no access, and none of Garfield County residents can access the fiber running through their main street, fiber built to serve lucrative markets in larger cities. -Rep. Mary Dye, September 7, 2017 (<http://huckleberrypress.com/fight-continues-bring-broadband-rural-washington/>)

As classrooms become digital, a lack of broadband access makes it difficult for kids to complete homework assignments and research projects. Most of our students are required to attend class and submit homework online, their books and materials are also digital. The State continues to invest in the equitability of education across the State. An investment in rural broadband is an investment in long-term economic development and rural resiliency that will enrich the state's educational system, and expand markets for local businesses. The State will be investing in today's students and our future workforce.

Since 2013, Core CERB has funded 26 rural broadband planning studies: (Assumptions: these communities could return to CERB construction funding at an average of \$1,219,603 per project.)

#### Planning Study Results:

- 26 Construction Projects (average cost per project \$1,219,603)
- \$31.7 million CERB Construction Funds
- 21,182 connections {19,702 households} (2018-21 average cost per connection \$1,497)
- 130 ISPs (2018-21 average # of ISPs per project 5)
- \$36.4 million Annual Economic Benefit (\$1,850 per household connection)

#### Project Development Pipeline Results:

- 24 Construction Projects
- \$39.1 million CERB Construction Funds
- 26,118 connections {24,289 households} (2018-21 average cost per connection \$1,497)
- 120 ISPs (2018-21 average # of ISPs per project 5)
- \$44.9 million Annual Economic Benefit (\$1,850 per household connection)

#### \$70.8 million Total Pipeline Projects Results:

- 50 Construction Projects
- \$70.8 million CERB Construction
- 47,300 connections (2018-21 average cost per connection \$1,497)
- 250 ISPs (2018-21 average # of ISPs per project 5)
- \$81.3 million Annual Economic Benefit (\$1,850 per household)\*

*\*2018-2021: 93% of all estimated connections funded by CERB are household connections*

Rural Broadband Projections: Based on the 2018-21 averages, an additional \$25 million would result in the following:

- 13 Construction Projects (average cost per project \$1,219,603)
- 16,700 connections (average cost per connection \$1,497)
- 65 ISPs (average # of ISPs per project 5)
- \$28.7 million Annual Economic Benefit (\$1,850 per household connection)\*

*\*2018-2020: 93% of all estimated connections funded by CERB are household connections*

#### 2020 CERB Rural Broadband Legislative Report:

<https://deptofcommerce.app.box.com/v/cerb2020rblegreport>



2. What will the request produce or construct (i.e., predesign or design of a building, construction of additional space, etc.)? When will the project start and be completed? Identify whether the project can be phased, and if so, which phase is included in the request. Be prepared to provide detailed cost backup.

Broadband infrastructure projects that are located in a rural community, or rural county encourage, foster, develop, and improve broadband within the state in order to:

- Drive job creation, promote innovation, and expand markets for local businesses; or
- Serve the ongoing and growing needs of local education systems, health care system, public safety system, industries and businesses, governmental operations, and citizens; and
- Improve accessibility for underserved communities and populations.

3. How would the request address the problem or opportunity identified in question #1? What would be the result of not taking action?

When an internet service provider builds and owns the broadband infrastructure, they generally try to recapture their return on investment in 2-4 years. This model makes the price for the retail end user much higher.

When a local government or federally recognized Indian tribe builds and owns the broadband infrastructure, they generally try to recapture their return on investment in 15-20 years. This model makes the price for the retail end user much more affordable.

CERB's Rural Broadband Construction Program helps the local government or federally recognized Indian tribe finance the construction of the infrastructure with low-interest loans, and may make grants in unique circumstances. By allowing the local government or federally recognized Indian tribe to extend the recapture time for their return on investment, communities can expand their network infrastructure at a pace that suits their own unique needs.

With a local government or federally recognized Indian tribe owning the infrastructure, this allows the network to be open access, there for there are more options for the end user to choose from. This competition helps drive the price down for the end-user.

The \$25 million requested will support connectivity in rural underserved communities, at a lower connection cost, open-access networks, and support community economic vitality statewide. By taking no action, rural communities would have one less prospect for investment that will increase resiliency and promote collaboration and innovation.

4. What alternatives were explored? Why was the recommended alternative chosen? Be prepared to provide detailed cost backup. If this project has an associated predesign, please summarize the alternatives the predesign considered

CORE CERB can fund broadband infrastructure strictly for economic development, by way of private job creation/retention, private investment, and increased tax revenue. This is a heavy lift for broadband infrastructure, as a community must prove the viability of a broadband project to create jobs and allow private business to expand. This places communities in a soft position to respond to a business need, rather than a communities' growing need for broadband infrastructure services.

The Rural Broadband Construction Program has a more holistic community development approach that includes economic development and business use, as well as local education systems, health care system, public safety system, governmental operations, and citizens. This places communities in a strong position to respond to their unique broadband needs, and expands opportunities for local innovation and community development.

Demand for CERB exceeds resources available. No funding or partial funding would make an impact in addressing this demand. Due to the increase in funded planning grants, since 2013, CERB has a pipeline

of thoroughly vetted projects ready for the next stage of investment, which supports the economic, environmental, and social needs of local governments, federally recognized Indian tribes, and their residents.

5. Which clientele would be impacted by the budget request? Where and how many units would be added, people or communities served, etc.

- Cities and Towns
- Counties
- Federally Recognized Indian Tribes
- Municipal Corporations
- Public Port Districts
- Quasi-Municipal Corporations
- Special Purpose Districts

Refer pipeline information provided in question #1.

6. Will other funding be used to complete the project? How much, what fund source, and could the request result in matching federal, state, local, or private funds?

It is unusual for a project to be fully funded by one source, and frequently multiple sources are necessary to complete a project. CERB projects are required to have a matching component and will attract additional project investment. Specifics vary, as individual projects each have a unique situation regarding other funds.

7. Describe how this project supports the agency's strategic master plan or would improve agency performance. Reference feasibility studies, master plans, space programming, and other analyses as appropriate.

The 2021-2023 Commerce Strategic plan is rooted in three focus areas: Economic Recovery, Equity and Community Development. This proposal specifically contributes to all three focus areas in the following ways in Commerce's plan:

- Provide economic stimulus through sustainable infrastructure and clean energy investments.
- Create digital equity and connectivity through broadband.
- Funding reliable infrastructure and increasing living wage jobs.
- Investing in the basic infrastructure systems and thereby maintaining the existing systems in satisfactory condition through 2022 ensures that citizens have safe drinking water, appropriate and safe waste water, and safe roads.

This request also supports Results Washington Goal 2 Prosperous Economy and the following related outcome by:

Increasing Access to living wage jobs: CERB will increase the number of jobs in the state by providing gap funding to make local economic development projects a reality that will create an additional 1,420 jobs.

Ensuring Access to Quality Healthcare: Approximately 98% of businesses supported by CERB's investment provide healthcare to their employees and dependents.

Increasing the Economic Security of Washingtonians: CERB's investment supports businesses who hire full-time positions and pay higher than the current county median. This allows an employee to investment of themselves into a company and into their future.

8. For IT-related costs:

- Does this project fund the development or acquisition of a new or enhanced software or hardware system or service?
- Does this decision package fund the acquisition or enhancements of any agency data centers? (See [OCIO Policy 184](#) for definition.)
- Does this decision package fund the continuation of a project that is, or will be, under OCIO oversight? (See [OCIO Policy 121](#).)

N/A

If the answer to any of these questions is yes, continue to the IT Appendix and follow the directions to meet the requirements for OCIO review.

9. If the project is linked to the Puget Sound Action Agenda, describe the impacts on the Action Agenda, including expenditure and FTE detail. See Chapter 13 (Puget Sound Recovery) in the 2019-21 Operating Budget Instructions.

N/A

10. Does this project contribute to statewide goals to reduce carbon pollution and/or improve energy efficiency? If yes, please elaborate.

CERB is dedicated to the long-term sustainability of Washington's communities, investing in public infrastructure using new and innovative technologies. CERB's construction loan program provides a strategic tool that supports these goals.

11. Does this project mitigate the effects of climate change and strengthen the resiliency of communities and the natural environment? If yes, please elaborate.

CERB is dedicated to the long-term sustainability of Washington's communities, investing in public infrastructure using new and innovative technologies. CERB's construction loan program provides a strategic tool that supports these goals.

12. Is there additional information you would like decision makers to know when evaluating this request?

CERB's rural broadband investment has many benefits and tackles many issues, when it invests in a community, such as:

Economic Issues related to home broadband:

- Broadband access boosts access to jobs
- Connectivity helps with global competitiveness
- Discounted Internet programs help with access to information and services
- Having home broadband improves household income

**Education issues related to home broadband:**

- The Internet is required for homework
- Families without home Internet are less connected with schools
- Low---income families report that the Internet is very helpful for schoolwork
- Teachers are slow to use edtech in lessons when students don't have home access
- The gap is wider than teachers think

**Health care issues related to home broadband:**

- Wealthier, more educated people use the Internet for health care questions
- Shopping for health insurance can be difficult without home broadband
- Lower---income youth may need Internet health information the most
- Most teens use the Internet for health information

Broadband expansion is closely tied to America's economic, educational, and health outcomes. And yet 30 percent of American homes still lack high-speed Internet access, and America ranks behind many of our global economic competitors in the percentage of homes connected to broadband. Closing the gap between homes that have broadband and those that do not should be a national priority. Modernizing and reforming the Lifeline program to include a broadband option is one step that can and should be taken to help close this critical gap.

*The Benefits of Broadband Expansion to America's Economy, Education, and Health: A Policy Brief by Common Sense Kids Action*

([https://www.common sense media.org/sites/default/files/uploads/benefits\\_of\\_broadband\\_expansion\\_to\\_america0s\\_economy\\_education\\_and\\_health-cska-2015\\_1.pdf](https://www.common sense media.org/sites/default/files/uploads/benefits_of_broadband_expansion_to_america0s_economy_education_and_health-cska-2015_1.pdf))

**RCW that establishes grant (if applicable):** Program has been a proviso in the capital budget since 2018.

**Application process used (grants; if applicable):**

Applicants submit loan funding requests to f to build broadband infrastructure in rural underserved communities linked to community and economic development. Applications for all of CERB's funding programs are considered on an ongoing basis. The Board meets every two months to consider projects and make funding decisions.

Rural Broadband Construction Loans (RB). RB loans are available only to rural counties/communities with a rural broadband feasibility study that demonstrates:

- The project's value to the community, including evidence of support from affected local businesses and government;
- The project's feasibility, using standard economic principles;
- Commitment of local matching resources and local participation;
- The project's inclusion in a capital facilities plan, comprehensive plan, or local economic development plan consistent with applicable state planning requirements; and
- The project's readiness to proceed.

The RB program also requires a committed internet service provider at the application.

**Is a project list available? If so, please attach and/or include this information.**

See pipeline information provided in question #1.

**Expenditure calculations and assumptions** – *Display the calculations (e.g., unit costs and formulas) used to arrive at expenditure and workload estimates connected with the Capital Project Request. Clearly identify the factual basis of any policy or workload assumptions and how the cost estimates are derived from these assumptions.*

**Estimated Total Expenditures:**

Account	2021-2023	2023-2025	2025-2027	2027-2029	2029-2031
Fund 355	\$25,000,000				

<b>Total</b>	<b>\$25,000,000</b>				

**FTE's: (Fund)**

<b>FTEs</b>	<b>2021-2023</b>	<b>2023-2025</b>	<b>2025-2027</b>	<b>2027-2029</b>	<b>2029-2031</b>
<b>Total</b>					

<b>Contact</b>	
Preparer Name:	Janea Delk, CERB Executive Director
Assistant Director Approval?	<input type="checkbox"/>
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Date:	July 23, 2021

## Capital Project Request - Narrative Template

### 2021-2031 Biennial Capital Budget Plan | FY22 Supplemental Budget Request

#### Section 1

Proposed Title:	<b>Public Works Board (PWB) Broadband</b>
Project Class/Type	<b>Grants/Loans</b>
Agency Activity:	<b>A050-Broadband Capacity Building</b>

#### Section 2 – Additional Capital Project Request Requirements

**Starting year.** Identifies the year an agency intends to start the proposed project or expenditures for specific purposes:

Starting Year:	<b>FY 2023</b>
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**Agency summary.** This is also known as the project summary or Recsum text. Provide a brief, clear and concise description of the project, including the problem or opportunity and how the proposed project addresses it:

Broadband infrastructure is essential to economic resiliency of business, communities, tribes and unserved residents. A current state survey reveals that 17 percent of respondents in Washington have no broadband access. The Public Works Board (PWB) requests \$120 million to deliver critical broadband infrastructure to unserved homes and businesses in support of education, healthcare, public safety, and job retention and creation. By statute, the program focus is on rural, tribal and distressed communities. Bridging the digital divide is essential to shared economic recovery statewide.

**Project description.** Describe the proposed project. Provide answers to the following questions, which will inform decision makers about the proposed project.

In April 2020, the PWB enacted policy designating broadband as essential infrastructure, critical for human health and safety, economic recovery and education. The PWB Broadband Program focuses on the unserved in rural, distressed and tribal communities.

The 2020 PWB Broadband construction cycle closed with demand exceeding funds available by 300 percent. The construction program received 29 applications for its first funding cycle which closed September 16, 2020. There were 27 applications from hardship communities. \$11.7 million was awarded to 7 qualifying projects. The unmet demand from this first cycle is in excess of \$40.1 million. Applicants leveraged over \$15 million from other sources, and the average project cost was \$3.1 million. As the nine projects awarded planning grants advance towards implementation, and we refine the pipeline of projects, now valued at \$1 billion, the demand for broadband dollars is staggering.

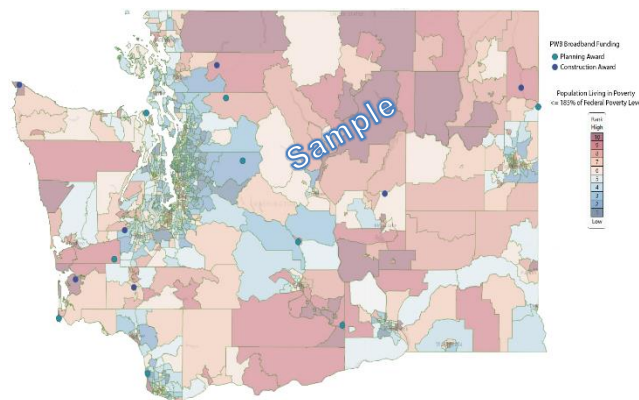
This request seeks funding to ensure that projects advancing from planning to construction, and those ready-to-go projects in our pipeline are able to seek funding from the PWB. This proposal seeks \$120 million to invest in qualified broadband construction projects to bridge the digital divide and provide essential infrastructure in unserved areas of the state. This investment aligns with the PWB mission to empower Washington communities to build and maintain sustainable infrastructure. Affordable and accessible broadband will support diversity, equity and inclusion in those areas where services are not available. Access to broadband services provides equitable opportunity.

1. Identify the problem or opportunity addressed. Why is the request a priority? This narrative should identify unserved/underserved people or communities, operating budget savings, public safety improvements, or other backup necessary to understand the need for the request. For preservation projects it is helpful to include information about the current condition of the facility or system.

Broadband is essential infrastructure, critical to education, health care, public health and safety and commerce and development. Disparities in service exist across the state. Our program seeks to address these by focusing investments in unserved communities.

The PWB Broadband Program is instrumental to bridging the digital divide so that opportunities for education, and community and economic development are available to all residents of the state, thereby promoting statewide resiliency.

The PWB hardship policies are instrumental to achieving this equity. For illustrative purposes, consider the 2019 and 2020 PWB broadband planning and construction awards layered with the Department of Health's disparities mapping function. In this example, we overlay PWB investments with populations living in poverty:



Date sources: Mapping layers – Department of Health, Projects – Public Works Board

2. What will the request produce or construct (i.e., predesign or design of a building, construction of additional space, etc.)? When will the project start and be completed? Identify whether the project can be phased, and if so, which phase is included in the request. Be prepared to provide detailed cost backup.

This request is for funding to implement projects and the PWB does not seek operating costs in association with this request. Based on the PWB experience for the 2020 Broadband funding cycle, the 29 project requests averaged approximately \$2.5 million. It is assumed the funding requested in this proposal would drawdown as follows:

- Year 1- 29% of loan amount drawn
- Year 2- 32% of loan amount drawn
- Year 3- 24% of loan amount drawn
- Year 4- 15% of loan amount drawn (final draw)

For a \$120 million request, that would produce 48 broadband construction projects and connect an indeterminate number of end-users based on the project specifics, such as:

- The scope of unserved residents in the project area;
- The geography and terrain of the project area;
- The ability of the project proponent to leverage existing broadband infrastructure;
- The number of internet service providers partnering in the project; and
- The technology solution deployed by the project proponent.



3. How would the request address the problem or opportunity identified in question #1? What would be the result of not taking action?

In 2019, the 66<sup>th</sup> Legislature passed 2SSB 5511--Broadband Internet Service Access. The enacted legislation recognized that, "achieving affordable and quality broadband access for all Washingtonians requires additional and sustained investment, research, local and community participation, and partnerships between private, public, and nonprofit entities" The Act directed the Public Works Board to establish a competitive grant and loan program to award funding to expand access to broadband service in unserved (defined in statute as 25 Mbps download and 3 Mbps upload or less) areas of the state. Through this action, the legislature identified broadband as a priority activity for community development; economic recovery; and diversity, equity and inclusion and funded the program under 2SSB 5511.

The divide between those who have broadband and those who do not, as demonstrated by the COVID-19 pandemic crisis, is widening. The majority of statewide educational institutions are moving to remote learning for Fall 2020, if not longer. Underdeveloped broadband infrastructure limits student participation in education (the paramount duty of the state) and interferes with the rapid shift to distance learning. Adequate broadband access is also critical for telehealth and telework, small business adaptability and resilience, and the ability for individuals and businesses to fully participate in a modern global economy.

In early 2020, the PWB initiated an online Broadband Planning Assessment Survey, met with potential applicants and stakeholders across the state, including participation in state Broadband Action Teams (BATs), to listen, learn and collect data on the cost and feasibility to connect middle and last mile homes and businesses in unserved areas. The preliminary data suggests an estimated biennial funding need in excess of \$118 million. This is a conservative number that will likely increase based on emerging data from the State Broadband Office and analysis of the funding cycle for the PWB Broadband construction program. In July 2021, the PWB initiated another survey, and reconciled the results with the State Broadband Office. What emerged is a robust pipeline of projects valued at over \$650 million. These are ready-to-go projects that can be completed by December 31, 2024.

The PWB Broadband Grant and Loan Program emphasizes readiness and helps foster local, collaborative efforts to develop and fund projects. The ability to fund applicants from both the public and private sectors can provide cost and deployment efficiencies for unserved communities. Eligible applicants are cities, counties, special purpose districts, public utility districts, public ports, tribal governments, non-profit organizations, cooperative associations, multi-party entities comprised of public entity members, limited liability corporations organized for the purpose of expanding broadband access, and incorporated businesses or partnerships.

The COVID-19 pandemic highlighted the weaknesses of the State's current broadband infrastructure and demonstrated the critical need for equitable and accessible broadband services. The Washington State Office of Superintendent of Public Instruction reports there are more than 250,000 Washington students, nearly 1 in 4, without broadband access, and 173,000 without an internet-ready device. The last census identified 280,252 seniors living alone and 192,165 Washingtonians without a vehicle and for whom broadband is vital to accessing critical social services and the ability to participate in a digital-work economy.

Broadband is the underpinning of commerce and community development. Broadband can boost local economies, improve employment access, and expand access to educational opportunities, as well as health care services. Before the COVID-19 pandemic, doctor consultations via videoconferencing were rare or unknown, now they are commonplace. According to a 2019 study by the U.S. Chamber of Commerce Technology Engagement Center, "digital technology increased gross sales for rural small businesses by 17.2 percent during the past three years, representing \$69.8 billion per year." This illustrates that connectivity is significant to economic growth and vitality in rural communities. Research indicates that broadband access can increase job growth for rural communities as much as 1.4 percent. Broadband is also an element of community development and smart infrastructure for the future, including community facilities and traffic management systems.

A conservative estimate of the number of households without broadband service in Washington state is at least 17 percent based on an ongoing statewide assessment. This leaves a significant percentage of Washington's communities without any choice for broadband access. Relying solely on private broadband investments to unserved areas has not provided sufficient infrastructure to meet the needs of a digital workplace, distance learning, or the digital economy. While public broadband investments are in their infancy, the PWB Broadband Program is designed to guide Washington's into broadband maturity.

4. What alternatives were explored? Why was the recommended alternative chosen? Be prepared to provide detailed cost backup. If this project has an associated predesign, please summarize the alternatives the predesign considered

Communities work with local providers to encourage broadband infrastructure investment. However, without state investment in broadband, the market will continue to determine who is served and who isn't. This is the current status quo and it is an inequitable alternative that creates winners and losers based on population density, and other factors. That is, the immediate return on investment for private providers is diminished by the cost to build, maintain, and operate a network in rural areas and pockets of urban communities. This discourages private sector competitiveness and investment, leaving communities struggling to find alternatives for affordable services at modern speeds.

The recommended investment is the best alternative given the legislative commitment to bring accessible and reliable internet to rural Washington. Other alternatives, including funding from the Universal Communications Services Account could be considered. However, in 2019 the Governor vetoed Section 1043(3), page 45 of HB 1102 that required the Community Economic Revitalization Board (CERB) to implement the funding provided in the Universal Communications Services Account. A technical language correction (directing the Utilities and Transportation Commissions which has authority over the account to implement the funds rather than the Community Economic Revitalization Board) could be explored.

Secondly, all infrastructure is critical infrastructure for economic recovery and sustainable vitality. The amount requested in the PWB Infrastructure decision package, \$250 million, is inadequate to address both traditional infrastructure and broadband infrastructure needs. Both are necessary for Washington's economy and the health and safety of all Washingtonians.

If the funding in this request is secured, then the PWB Broadband Program could be a change agent for expansion of broadband services statewide, especially to those unserved. A consistent and reliable level of public resources to the benefit of unserved urban and rural Washington would compel private providers to align their business models with the state's broadband paradigm and enhance Washington's connectivity for the better. By building up rural Washington, we can build out all of Washington.

5. Which clientele would be impacted by the budget request? Where and how many units would be added, people or communities served, etc.

This is a statewide effort to connect all unserved Washington communities and residents to essential broadband services. A \$120 million investment will fuel access for tens of thousands of Washingtonians who have no potential for broadband without the State's investment. As the program is competitive, it is unknown where the distribution of new services will be located. It is assumed the majority of new households served will be located in rural counties and tribal communities based on the program's focus on rural broadband investment.

6. Will other funding be used to complete the project? How much, what fund source, and could the request result in matching federal, state, local, or private funds?

The PWB Broadband Grant and Loan program requires local or private investment as cost share for each project funded. The state investment in non-distressed areas is no more than 50% of total project costs

up to \$2 million. State investment in distressed or severely distressed areas is no more than 90% of total project costs up to \$5 million. The 2020 construction cycle leveraged \$15 million from other sources. The PWB encourages applicants to seek federal funds when available and applicable. State statute already authorizes the PWB Broadband Program to serve as grant match or gap funding for applicants seeking federal broadband resources and collaborates with the State Broadband Office to provide technical assistance to applicants pursuing federal funding opportunities.

7. Describe how this project supports the agency's strategic master plan or would improve agency performance. Reference feasibility studies, master plans, space programming, and other analyses as appropriate.

The 2021-2023 Department of Commerce Strategic plan is rooted in three focus areas: Economic Recovery, Equity and Community Development. This proposal specifically contributes to all three focus areas in the following ways in Commerce's plan:

- By increasing the availability of broadband in rural areas, this investment eases traffic congestion and reduces emissions from transportation as more people can telecommute more reliably.
- Broadband investments improve the delivery of healthcare, and specifically telehealth services, which will improve access and lower individual health care costs.
- Broadband investments clear the path for Washingtonians and those immigrating to Washington to reduce their carbon footprint by making it easier to engage with government services, find jobs, and shop online.

This request also supports the Results Washington Goal 2 Prosperous Economy and Goal 3 Sustainable Energy and Clean Environment. The department is meeting the Results Washington goals by emphasizing reliable infrastructure and a Clean Energy Future. Broadband investments expand opportunities and are a key component of economic development and recovery for rural communities that will also create jobs and unlock outside capital investment. Broadband investments fit within these areas by improving upon insufficient or nonexistent community infrastructure and meeting the demand for it.

This investment also aligns with the PWB mission to empower Washington communities to build and maintain sustainable infrastructure. Affordable and accessible broadband will support diversity, equity and inclusion in those areas where services are not available: urban, rural and tribal communities. Access to broadband services provides equitable opportunity.

This request is consistent with the PWB strategic plan. The vision is that Washington communities are prepared with strong infrastructure to meet the challenges of the future. One way the PWB accomplishes this is to provide access to flexible financing and by assisting communities to meet their local infrastructure needs.

8. For IT-related costs:

- Does this project fund the development or acquisition of a new or enhanced software or hardware system or service?
- Does this decision package fund the acquisition or enhancements of any agency data centers? (See [OCIO Policy 184](#) for definition.)
- Does this decision package fund the continuation of a project that is, or will be, under OCIO oversight? (See [OCIO Policy 121](#).)

There are no IT impacts identified as part of this request.

If the answer to any of these questions is yes, continue to the IT Appendix and follow the directions to meet the requirements for OCIO review.

9. If the project is linked to the Puget Sound Action Agenda, describe the impacts on the Action Agenda, including expenditure and FTE detail. See Chapter 13 (Puget Sound Recovery) in the 2019-21 Operating Budget Instructions.

In practice, high speed broadband provides the opportunity for remote work thus reducing air and water pollutants. PWB submits project information for the traditional program to the Puget Sound Partnership (Partnership) as a part of threshold review. This process includes consideration and feedback from Partnership staff on whether projects are consistent with the Puget Sound Action Agenda. The Partnership includes information on relevant PWB-funded projects annually in its required reporting to the National Estuary Program. While not a statutory requirement of the Broadband program, it could be adopted as a best practice.

10. Does this project contribute to statewide goals to reduce carbon pollution and/or improve energy efficiency? If yes, please elaborate.

The Environmental Protection Agency reports that the average passenger vehicle emits nearly 404 grams of CO<sub>2</sub> per square mile and the average passenger vehicle emits about 4.6 metric tons of carbon dioxide per year. Investments in broadband create social and environmental benefits that lower carbon emissions.

Broadband investment and adoption facilitate telework, telemedicine and distance learning, all of which take vehicles off already congested roads and significantly reduce vehicle carbon dioxide emissions. This means students are not taking busses, employees are not commuting to work, and more residents have an opportunity to reduce carbon emissions by working from home. This not only directly reduces carbon output by traffic reduction, but reduces wear and tear on streets meaning ongoing maintenance costs can potentially be reduced. That can further reduce carbon emissions from concrete and asphalt replacement as well as the emissions released by trucking construction material to roadways under repair. Fewer cars on the road mean fewer contaminants in stormwater. Research by the Washington State University Stormwater Center indicates that one of the most toxic elements in road runoff to fish species in Puget Sound comes from vehicle tires.<sup>1</sup>

11. Does this project mitigate the effects of climate change and strengthen the resiliency of communities and the natural environment? If yes, please elaborate.

Broadband technology is a core component of how the PWB aims to reach state energy and climate resiliency goals. A California study provides that broadband will save \$1.9 trillion globally in reduced energy consumption and increased efficiency. Communities with affordable access to broadband infrastructure have the ability to promote societal transformation that can create positive downstream impacts for our changing climate. That is, a community connected with broadband infrastructure can reduce the number of cars on the road, improve conservation and the energy efficiency of our water, sewer, and electric utility systems, and reduce the carbon footprint from agriculture. Investments that promote telehealth, telework, power and transportation efficiency, precision agriculture, e-government services, and green buildings will both strengthen businesses and communities and increase their resiliency.

12. Is there additional information you would like decision makers to know when evaluating this request?

<sup>1</sup> <https://www.pugetsoundinstitute.org/2018/09/automobile-tires-seen-as-a-prominent-suspect-in-coho-deaths/>

According to the Center for Broadband Equity: “America’s economic future depends on our investment in opportunities for everyone and building systems that support innovation. Broadband is now indispensable for almost every facet of society: delivering healthcare to hard to reach places, helping our kids learn, building our small businesses and helping them compete; and insuring that we all get the information we need to participate in our democracy. Our economic future depends on everyone having access to this vital resource. Poor communities and communities of color must not be left behind.”

A Federal Communications Commission survey (FCC) shows that the disconnected tend to be older, poorer, less educated, and people of color. Federal statistics show on average 69 percent of American households have broadband at home, but only 59 percent of African American households and only 49 percent of Latino households have broadband. The PWB Broadband Program can be instrumental to bridging the digital divide so that opportunities for education, and community and economic development are available to all residents of the state, thereby promoting statewide resiliency.

This and subsequent investments are catalytic to economic empowerment of individuals, communities and businesses, while assisting in the recovery of the current economic crisis. The PWB is proud to deliver broadband infrastructure, and fulfill our mission to empower Washington communities to build and maintain sustainable infrastructure.

This request is consistent with the second Broadband proposal to create an Emergency Broadband Program that mirrors the PWB emergency program for traditional infrastructure systems. Under this proposal the PWB seeks statutory authority for an emergency program to provide support to clients in the event of unforeseen circumstances, such as wild fires, that damage critical broadband infrastructure in a manner consistent with WAC 399-30-045(3).

This proposal would benefit by statutory modifications PWB seeks for RCW 43.155.160. These are packaged with a comprehensive request from the department and the State Broadband Office. One shared objective is to include RCW 43.155.160 in RCW 42.56.270(4), an existing narrow exemption for sensitive business and financial information that the department regularly uses with no issues.

The PWB would entertain federal infrastructure funding, pending in Congress, for this request.

The PWB would benefit from statutory modifications to the Broadband program. Those are outlined in an agency request legislation proposal.

Please note: PWB began conducting stakeholdering on these proposals in July 2021, with its Board meeting where a panel of core stakeholder groups (the WSBO, the WA Public Ports Association, the federal Department of Commerce, and a private sector internet service provider) participated. This continued throughout the month with a meeting between the AWC, WSAC, and WSWD and the Board Chair and Executive Director. The stakeholders indicated support for this concept, and for the statutory modifications that would benefit the PWB Broadband Program. PWB also discussed this and its other concepts with the SYNC collaborative, and interagency partnership with COM, ECY, DOH, TIB, and the WSDOT. The partners are encouraging PWB to pursue this concept. In fact, WSDOT indicated an interest in collaborating with PWB on the coordination of laying broadband fiber in coincidence with just-awarded bridge construction projects.

#### **RCW that establishes grant (if applicable): RCW 43.155.160**

#### **Application process used (grants; if applicable):**

The PWB Broadband Construction Program is competitive. Funding opportunities are noticed on the program website and through social media. Staff conduct significant outreach to inform applicants of the available resources and to attend application workshops. The PWB evaluate projects competitively as they are become shovel-ready.

- Staff screens applications for threshold review.

- A list of applications received is published online as required by statute.
- A team of reviewers rate and rank each project application.
- The Utilities and Transportation Commission conducts feasibility assessments of the technical components of applications.<sup>2</sup>
- Staff accept objections or challenges to applications and reviews them.
- The State Broadband Office debriefs denied objections.
- Staff will produce a numerically prioritized list with all information, and present to the PWB for approval.
- The PWB moves to award funding, as available to competitive projects.
- Upon approval, financial underwriting will be conducted and the contracting process begins.

Staff designs and conducts an after-action review to adaptively manage and improve the application process and application materials.

The legislature appropriated \$46 million in federal stimulus grants to the PWB. These funds are directed to local governments, special purpose districts and tribes as grants. The funding cycle for these funds closes October 1, 2021 with the Board awarding funds at its November 2021 meeting. The process may be refined by additional federal guidance, but is consistent with the methodology described above.

**Is a project list available? If so, please attach and/or include this information.**

Legislation requires the PWB to post a list of applications to its construction programs. The list for the current application cycle will be posted after the October 1, 2021 closing date.

**Expenditure calculations and assumptions** – *Display the calculations (e.g., unit costs and formulas) used to arrive at expenditure and workload estimates connected with the Capital Project Request. Clearly identify the factual basis of any policy or workload assumptions and how the cost estimates are derived from these assumptions.*

*This proposal assumes a proportional mix of grants and loans (50% grant and 50% loan authority).*

Year 1- 29% of loan amount drawn	\$34,800,000
Year 2- 32% of loan amount drawn	\$38,400,000
Year 3- 24% of loan amount drawn	\$28,800,000
Year 4- 15% of loan amount drawn (final draw)	\$18,000,000
Total	\$120,000,000

**Estimated Total Expenditures:**

Account	2021-2023	2023-2025	2025-2027	2027-2029	2029-2031
Fund 355	\$120,000,000				
<b>Total</b>	<b>\$120,000,000</b>				

**FTE's: (Fund)**

FTEs	2021-2023	2023-2025	2025-2027	2027-2029	2029-2031
<b>Total</b>					

<sup>2</sup> The legislature has struck through this requirement for the current biennium and the PWB is seeking to make this strike through permanent.



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