



Department of Commerce

**FY24 Supplemental Capital Budget Request
September 2023**



STATE OF WASHINGTON
DEPARTMENT OF COMMERCE

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September 13, 2023

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

Re: 2023-2025 Department of Commerce Operating/Capital Supplemental Budget

Dear Director Schumacher:

Commerce is unique in that everything we do is an investment in Washington State's greatest asset: our people. Whether it be meeting their basic needs of housing and safety, helping our businesses rebuild in a post-pandemic economy, or connecting seniors and households to the internet, our programs help people move forward and build strong and resilient communities.

Our Supplemental Budget proposal continues to build on this critical work, centers around equity and ensures we invest resources that encourage local solutions, foster innovation, leverage talent and community assets and meet the needs of our residents today and into the future. When drafting these proposals, I directed my team to receive guidance from the community and Governor's office to ensure our proposals were inclusive and holistic.

This budget, our Decision Packages focus on six priorities:

- Meeting urgent needs around housing stability, affordability and preventing homelessness;
- De-carbonizing and market transformation related to climate change;
- Creating green jobs, supporting small businesses and enhancing our global competitiveness;
- Building community programs and empowering local organizations;
- Closing the digital divide in Washington's rural and urban communities; and
- Leveraging all avenues for securing generational investment opportunities from the federal government.

All of these priorities are centered on our commitment to ensuring our programs, funding and resources are available to all Washingtonians. My number one priority continues to be equity in all the work we do and ensuring we are getting resources out to our highest need communities.

Director David Schumacher

September 13, 2023

Page 2

In this set of proposals, we are seizing on opportunities in front us today to meet the challenges and needs of the future: a pipeline of “ready-to-go” affordable housing projects that need funding; put us in the most competitive position possible to secure hundreds of millions in potential federal funding; build on our national leadership and momentum in tackling climate change, transforming the market and decarbonizing our built environment; and leveraging broadband infrastructure resources to achieve digital equity. All the while continuing to provide resources directly to communities, community organizations and the constituents they serve and support.

I want to thank the more than 550 dedicated and mission driven employees in the Department of Commerce for their work each and every day on behalf of all Washingtonians.

We welcome the opportunity to engage around our policy and funding proposals.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael Fong", with a horizontal line underneath it.

Michael Fong
Director

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

2023-25 Biennium

*

Version: D1 FY24 Supplemental Budget Request

Report Number: CBS001

Date Run: 9/18/2023 8:54AM

Project Class: Grant

Agency Priority	Project by Account-EA Type	Estimated Total	Prior Expenditures	Current Expenditures	Reapprop 2023-25	New Approp 2023-25	Estimated 2025-27	Estimated 2027-29	Estimated 2029-31	Estimated 2031-33
1	4000607 Increase Affordable Housing Supply									
	057-1 State Bldg Constr-State	200,000,000				200,000,000				
	355-1 St. Bld Const Acct-State	200,000,000				200,000,000				
	Project Total:	400,000,000				400,000,000				
2	4000609 State BEAD Allocation									
	001-2 General Fund-Federal	1,227,794,000				245,600,000	491,097,000	491,097,000		
3	4000604 Green Jobs and Infrastructure Catalytic Funds									
	26C-1 Climate Commit Accou-State	240,000,000				240,000,000				
4	4000606 Clean Energy Community Decarbonization									
	26C-1 Climate Commit Accou-State	500,000,000				100,000,000	100,000,000	100,000,000	100,000,000	100,000,000
5	4000600 State BEAD Allocation-State Match									
	001-2 General Fund-Federal									
	057-1 State Bldg Constr-State	256,936,000				256,936,000				
	Project Total:	256,936,000				256,936,000				
6	4000603 Communities of Concern									
	057-1 State Bldg Constr-State	10,000,000				10,000,000				
7	4000601 Crisis Stabilization Facility-Trueblood Phase 3									
	057-1 State Bldg Constr-State	10,000,000				5,000,000	5,000,000			
8	4000602 PWB-Broadband									
	23J-1 SW Broadband Account-State	18,700,000				18,700,000				
9	4000610 Pacific Tower Capital Improvements FY24 Supplemental									

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

2023-25 Biennium

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9	40000610 Pacific Tower Capital Improvements FY24 Supplemental									
	057-1 State Bldg Constr-State	5,543,000				123,000	1,374,000	1,310,000	1,749,000	987,000
Total: Grant		2,668,973,000				1,276,359,000	597,471,000	592,407,000	101,749,000	100,987,000

Total Account Summary

Account-Expenditure Authority Type	Estimated Total	Prior Expenditures	Current Expenditures	Reapprop 2023-25	New Approp 2023-25	Estimated 2025-27	Estimated 2027-29	Estimated 2029-31	Estimated 2031-33	
001-2 General Fund-Federal	1,227,794,000				245,600,000	491,097,000	491,097,000			
057-1 State Bldg Constr-State	482,479,000				472,059,000	6,374,000	1,310,000	1,749,000	987,000	
23J-1 SW Broadband Account-State	18,700,000				18,700,000					
26C-1 Climate Commit Accou-State	740,000,000				340,000,000	100,000,000	100,000,000	100,000,000	100,000,000	
355-1 St. Bld Const Acct-State	200,000,000				200,000,000					
Total		2,668,973,000				1,276,359,000	597,471,000	592,407,000	101,749,000	100,987,000

Ten Year Capital Plan by Project Class

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Report Number: CBS001
Date Run: 9/18/2023 8:54AM

<u>Parameter</u>	<u>Entered As</u>	<u>Interpreted As</u>
Biennium	2023-25	2023-25
Functional Area	*	All Functional Areas
Agency	103	103
Version	D1-A	D1-A
Project Classification	*	All Project Classifications
Include Enacted	No	No
Sort Order	Project Class	Project Class
Include Page Numbers	Y	Yes
For Word or Excel	N	N
User Group	Agency Budget	Agency Budget
User Id	*	All User Ids

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 2023-33 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 2023-33 Capital Budget Instructions.

**Capital Project Request - Narrative Template
FY24 Supplemental Capital Budget Plan**

Section 1

Proposed Title:	Increase Affordable Housing Supply
Project Class/Type	Grants/Loans
Agency Activity:	A159: Affordable Housing Development

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:	FY 2025
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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:

Washington state has a significant shortfall of affordable housing, resulting in homelessness, cost burdened families, displacement of people unable to afford housing, and housing instability. To meet the need identified in [recent projections published by the Department of Commerce](#) (Department) more than 26,000 new subsidized units need to be added each year, well above historic production which has averaged less than 2,500 subsidized units per year since 2013. Record investments of \$706 million in affordable housing during the last two legislative sessions will create nearly 8,000 new units. However, there are many projects ready to proceed that are stalled due to lack of funding. To reduce the subsidized housing shortfall, the Department proposes investing an additional \$400 million in State Fiscal Year (SFY) 2025 for subsidized rental housing and homeownership opportunities.

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

Additional investment in subsidized housing is critical for households with low incomes. Specific investment priorities for additional capital funds in SFY 2025 are:

\$240 million for Multifamily Rental Housing
 \$100 million for Apple Health and Homes new permanent supportive housing

\$60 Million for Homeownership
 \$55 million - Provide capital funding for down payment assistance, new construction, acquisition rehabilitation, and manufactured home purchases.
 \$5 million – For expansion of community land trust models throughout the state.

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 is experiencing a housing shortfall in general and, specifically, a shortfall of more than 200,000 subsidized units as of today. Department projections show the need for an additional 26,000 units annually over the next 20 years for households with incomes between 0-50% Area Median Income.

Generally, even with flexible land use regulations, subsidies are necessary to build units affordable to households with incomes between 0-50% AMI. Current federal, state, local government, and private investments in subsidized housing are nowhere near the scale needed to close this gap.

To address this need, the Governor proposed an additional \$4 billion investment in housing and shelter over six years. The final 2023-25 budget made a down payment on enacting the Governor's proposal by providing \$400 million for the Housing Trust Fund.

Significant land use reforms enacted in the 2023 session will expand the supply of housing generally, reducing costs for all segments of the market. But even with an expanded supply of housing, current investment levels in subsidized housing need to expand to meet projected needs as identified in the [Washington Housing Needs study](#).

Commerce funding is often the last piece of the financial puzzle that includes local, private and federal resources. Every other year, Commerce conducts a [housing development survey](#). In 2023, nonprofit housing developers across the state responded with 207 project proposals representing more than \$4 billion in housing investment needs in order to produce over 15,000 housing units, including shelter beds. Of this capital investment, respondents identified a need for \$800 million in state resources: \$400 million more than was appropriated in 2023. Because total available matching funds are less than assumed in survey responses, this \$400 million capital request is a conservative estimate of projects ready to be funded. Predictable and increasing capital investments by the state are critical to scaling-up affordable housing development capacity to the level needed to meet the needs identified in the Housing Needs Study.

Long-term underinvestment in subsidized housing is a central contributor to increases in homelessness, displacement, and housing cost burdened families being unable to afford other critical necessities.

People experiencing homelessness or housing cost burdens are disproportionality from historically marginalized communities including Black, Indigenous, people of color, LGBTQI+, and individuals with disabilities. The proposed housing investments reduce inequity by including specific tactics to ensure the people housed are representative of those in need.

Washington has the capacity to deliver thousands of new affordable housing units. Resourceful communities, nonprofits, tribal governments, and housing authorities are primed and ready to build housing when financing is available. In 2021-23, the combination of Housing Trust Fund and Rapid Capital programs produced 8,000 new units from the \$706 million state investment used to leverage \$1.7 billion additional private and public funds. With continued, predictable revenue, new construction and strategic portfolio investments will build housing at the scale needed to address the shortage of subsidized housing.

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 proposed multifamily rental investments would fund approximately 3,400 units for households with very low incomes and extremely low incomes (assuming an average subsidy of \$100,000 per unit) and impact another 1,600 households through preservation activities (assuming an average subsidy of \$25,000 per unit).

The proposed homeownership investments would fund the purchase of approximately 550 homes for income eligible households (assuming an average subsidy of <\$100,000 per unit).

In general, projects awarded funds will be available for occupancy 12 months to 3 years after awards (SFYs 2026-2028).

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

A healthy housing ecosystem includes shelter, transitional housing, supported housing, affordable homes, and market rate properties, which allows it to withstand changes and stressors, while creating pathways to segue between living situations as people’s circumstances change.

Current subsidized housing investments are nowhere near the pace needed to close the housing needs gap for lower-income households. At best, historic investment levels from all sources produce an additional 2,500 subsidized units per year, well short of the 26,000 additional units projected needed annually.

Additional investment will maintain and expand developer and builder capacity established in recent years. Lack of state funding is causing long delays for projects that have approved zoning, environmental clearance, and commitments of local funding. Following the 2022 Housing Trust Fund cycle, there were 22 projects ready to produce 1,887 units that needed \$98 million in state funds. These projects comprise the wait-lists maintained by Commerce and the Washington State Housing Finance Commission (WSHFC). These projects are supported at the local level with funding and technical assistance; however, the housing cannot be constructed due to insufficient funding. Each year more communities are preparing sites for affordable housing, and the state’s role in meeting the long-term projected needs is vital.

Failing to continue with the Governor’s housing investment strategy will result in the state falling further behind its housing needs. Continued underproduction of housing will exacerbate the already critical state of people experiencing unsheltered homelessness and increase displacement of people from their communities due to lack of affordability. Washington’s lack of housing inventory has already negatively affected the state’s business development. Companies are unable to recruit and retain qualified employees because the cost of living is higher than the wages offered. Business growth is limited when a company cannot attract employees because they cannot afford to live in the community. State government hiring pools already reflect this challenge.

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

Housing that is safe and affordable is the cornerstone of a thriving economy. The construction of new affordable housing is a high priority of Commerce in order to maximize the state’s investment impact. New construction leverages the largest share of public and private funding, and expansion of these investments is warranted. Since exceeding \$200M for a biennium investments in 2019, Commerce has successfully implemented new capital provisos and updated policies to meet the scale of the investment. Commerce works collaboratively with public funders to coordinate deep investments to advance projects and leverage the statewide resources.

	2013-14	2015-16	2017-18	2019-2020	2021-23
Total State Funding Awarded	\$82,681	\$87,064	\$126,442	\$268,457	\$706,562
Total # of Low-Income Units*	1,918	2,577	3,635	4,804	9,146

**This represents units impacted, not just the creation of New Units. Preservation investments are smaller, but are necessary to maintain affordable housing and to not lose units.*

Two primary barriers prevent people from becoming homeowners: lack of housing inventory (supply) and lack of resources (financial and technical) to aid in the purchasing process. There are limited federal resources available for construction to increase supply as well as financial and technical assistance to purchase the homes. Some local governments and tribal nations have resources to assist in the creation of homes as well as the purchase of homes within their jurisdiction. A few businesses have created investment funds to leverage public resources ([JP Mortgage Chase](#), [Microsoft](#) – Shelter). The foundational element that all these resources require is additional investment by the state in order to realize the housing opportunities possible.

A major milestone bill, the Covenant Homeownership Act (HB 1474), was enacted during the 2023 legislative session. HB 1474 authorizes the WSHFC to create one or more special purpose credit programs (SPCPs) to provide down payment and closing cost assistance funded by an increase in document recording fees starting in January 2024. This landmark legislation enables creation of the first publically funded SPCPs in the nation. These funds will not create new housing. While HB 1474 is a step towards bridging the homeownership gap identified in the [2022 Homeownership Disparities work group study](#), it does not increase the number of homes available for purchase. Rather, without a commensurate increase in homes available for purchase, this expanded funding will increase the cost of homeownership due to the increased demand on the existing limited supply. This funding request focuses on construction of new homeownership units, including but not limited to detached structures, community land trusts, sweat equity, co-operative developments, and condominiums.

According to the National Association of Realtors, homeowners stay in their homes for approximately 13 years. Homes purchased with HTF funds must remain affordable housing for a minimum of 25 years. This requirement results in on-going affordable homeownership opportunities through 2050 and beyond. When applying a 13-year ownership period prior to selling and moving, the minimum 25-year affordability period means that two more sales to income qualified households can happen. So the 600 households to be assisted would double over the 25 year period to 1,200 households helped by this initial investment.

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

This proposal will add an estimated 3,950 units of housing for people with low incomes: 3,400 multifamily units and 550 homeownership units.

Commerce works to ensure an equitable geographic distribution of housing resources statewide.

The impacts of creating new multifamily units include:

- Homeless people moving inside;
- Low-income households paying less rent, leaving more money for other critical needs;
- Fewer people at-risk of becoming homeless;
- Increased housing stability, allowing people to concentrate on addressing health issues, educational opportunities, and job opportunities;
- An expanded supply of housing, reducing market housing costs for everyone.

The impacts of investing in homeownership include:

- Low income households paying less for housing, leaving more money for other critical needs;
- Predictable and stable housing costs associated with a mortgage, as opposed to rent that can rise leading to sudden displacement;
- Wealth-building through homeownership, a pathway out of intergenerational poverty;
- As renters become homeowners, their prior rental housing becomes available for new residents;
- An expanded supply of housing, reducing market housing costs for everyone.

Homeownership - Currently, affordable homeownership development costs approximately \$275 per square foot – including land acquisition, infrastructure installation, and construction. A \$55 million state investment will be leveraged at a minimum of \$4:\$1 based on historic trends, which would result in approximately 550 new homeowners. Income limits for these homeownership programs are: up to 80%

AMI in urban areas and up to 100% AMI in rural areas. A list of urban or rural designation is available on [Commerce's website](#)

6. Does this project or program leverage non-state funding? If yes, how much by what fund source, and could the request result in matching federal, state, local, or private funds?

Multifamily Rental Housing: Affordable housing funding leverages public and private investment at a ratio of \$5:\$1. The majority of the state's leverage is Federal Low Income Housing Tax Credits managed by the Washington State Housing Finance Commission (WSHFC). Federal HUD funding, private loans, and increasing levels of local public investment are significant matching sources.

Homeownership: With the creation of the Covenant Homeownership Program authorized by HB 1474, the homeownership funds sought by Commerce, will be leveraged with more than \$150 million in down payment assistance funding administered by the Washington State Housing Finance Commission. In addition, the homeownership funding will be used, in part, to leverage existing local government, federal, and private investment resources such as the federal USDA-RD, HOME, and FHA programs, housing tax revenues generated at the local government level, and the JP Morgan Chase and Microsoft initiatives, as well as a broad array of programs administered by Community Development Finance Institutions (CDFIs).

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.

These projects support 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.

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 (HEAL Act and Puget Sound Recovery) in the 2023-25 Operating Budget Instructions.

N/A

10. How does this project contribute to meeting the greenhouse gas emissions limits established in RCW 70A.45.050, Clean Buildings performance standards in RCW 19.27A.210, or other statewide goals to reduce carbon pollution and/or improve energy efficiency? Please elaborate.

The current HTF building standards exceed current building code energy efficiency standards. The depth and breadth of this investment will be determined in consultation with affordable housing advocacy organizations and sustainable design industry experts.

11. How is your proposal impacting equity in the state? Which communities are impacted by this proposal? Include both demographic and geographic communities. How are disparities in communities impacted?

The proposed investments in housing are directly informed by both the [comprehensive equity study](#) conducted by Commerce on historic housing investments through the HTF and by the Reducing the Homeownership Gap for Black, Indigenous, and People of Color in Washington report available on Commerce's website.

[The Homeownership Disparities Work Group](#) identified 12 ready and actionable items the state of Washington can undertake to begin to bridge the 143,000-homeownership gap between BIPOC and white households. The \$55 million investment in homeownership will solidly put the state of Washington on the path to remedying the myriad institutionally racist policies that have negatively impacted the BIPOC community.

Commerce recommends a comprehensive funding package that enables the state to leverage maximum investment from federal, local and private sources. The housing investment must be pro-equity to address the disparities in homelessness and housing burden experienced by historically marginalized populations.

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

None

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	2023-2025	2025-2027	2027-2029	2029-2031	2031-2033
Fund 057	\$200,000,000				
Fund 355	\$200,000,000				
Total	\$400,000,000				

FTE's: (Fund)

FTEs	2023-2025	2025-2027	2027-2029	2029-2031	2031-2033
Total					

Contact	
Preparer Name:	Tedd Kelleher
Assistant Director Approval?	<input checked="" type="checkbox"/>
Preparer phone number:	(360) 528-7796
Date:	7/14/2023

**Capital Project Request - Narrative Template
FY24 Supplemental Capital Budget Plan**

Section 1

Proposed Title:	State BEAD Allocation
Project Class/Type	Grants and loans
Agency Activity:	A050: Broadband Capacity Building

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:	FY 2024
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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:

Commerce requests an additional \$245.6 million in budget authority for the current 2023-25 biennium. This will result in a total budget authority of \$1,227,742,066 for the State Broadband Office (SBO) to implement the federal NTIA BEAD Internet for All program in Washington state. Currently, \$150 million in budget authority is already included in the 2023-25 capital budget.

The increased budget authority represents not only that required with the state’s initial 20% BEAD allocation, expected in Q2 2024 (April-June), of approximately \$245,548,413, but also the remaining 80% of the state’s award, \$982,193,652, which is estimated to be released in Q2 2025 (April-June). This action will ensure there are no technical delays with the SBO’s ability to commit and reimburse funds in an expedient manner as we seek to bring reliable, high-speed broadband access to unserved and underserved communities statewide.

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

Authority for this generational federal investment will assist the state in meeting its broadband speed goals, and to ensure every home and business has access to high-speed internet.

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.

President Biden’s Bipartisan Infrastructure Law aims to deliver \$65 billion in infrastructure investment nationwide. This includes more than \$42.5 billion in broadband construction funds, for which the state submitted a letter of Intent in July 2022. The department, through the State Broadband Office (SBO), will receive \$1.23 billion in NTIA BEAD construction funding, based on a formula using the most recent FCC map. This map identifies 230,000 Washington unserved households that lack access to reliable, high-speed internet service. Distribution of these federal resources will address the broadband needs in these identified communities, and ensure they have the connectivity they need to get online and participate in the digital world.

Over a two-month period ending in January 2023, the SBO and our community of broadband partners led efforts to challenge the FCC’s national broadband map. This effort was highly successful and resulted in the addition of 71,000 more unserved locations to the FCC map. On a base of 167,000, this was a 42% increase and among the top 10 increases across the country, which paired with a significant increase in

federal funding and the need to increase the SBO's budget authority for these federal resources in the 2023-25 biennium.

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 federal funding will support public/private partnerships across Washington in the completion of broadband infrastructure projects and increase digital equity and connectivity in underserved communities statewide. The funding provided through the department to public partners will purchase infrastructure materials such as fiber, optical line terminals, remote nodes and other equipment, as well as the construction costs to install materials and provide service to end users.

This proposal achieves greater digital equity and connectivity and advances the state's broadband access goals in unserved or underserved areas by getting infrastructure funds out to communities and public/private partnerships that are ready to invest in for broadband programs.

Projects will be completed over the next 4 years.

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

This budget authority allows the SBO to implement the state's full allocation of federal BEAD funding. These funds will directly support broadband infrastructure projects that bring high-speed internet access to the 230,000 identified unserved and underserved communities statewide.

By not taking action to provide the full budget authority over these federal resources, the state may lag behind the four-year implementation period and condense the allowable commitment, expenditure and reimbursement for community broadband projects.

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

There is no identifiable alternative to receiving this budget authority. The State Broadband Office is solely and wholly responsible for the awarding and allocation of these federal funds.

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

All Washingtonians in areas that are currently unserved or underserved with broadband access would be positively impacted. According to BEAD, unserved is when customers do not have access to internet speeds of 25/3. Underserved is speeds less than 120/20. This infrastructure funding is prioritized to make broadband available in unserved and underserved communities, ensuring that all Washingtonians have access to broadband infrastructure. Additionally, affordability is a key component of this program and will require ongoing collaboration with internet service providers, as well as support through digital navigators to connect people with the federal Affordably Connectivity Program subsidy.

6. Does this project or program leverage non-state funding? If yes, how much by what fund source, and could the request result in matching federal, state, local, or private funds?

This request ensures that \$1.23 billion in federal funding comes to Washington for the build out of broadband infrastructure to unserved and underserved areas of the state.

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.

This supports the agency's two stated priority areas of equity in community development and equitable economic recovery. From the plan overview, with touchpoints for broadband bolded:

Equity in community development

- **Prioritize investment in underserved, historically disadvantaged, and vulnerable communities.**
- **Build capacity through community engagement, outreach and technical assistance.**
- **Partner with racial, geographic, and marginalized communities to understand the needs and challenges affecting their access to resources.**
- **Use data validated by community partners to inform funding decisions.**
- **Dismantle barriers to access so that communities are positioned to access resources, both through competitive processes and alternative mechanisms where appropriate.**

Equitable economic recovery

- **Promote key industry sectors, such as aerospace, life sciences, agriculture and others.**
- **Provide economic stimulus through sustainable infrastructure and clean energy investments.**
- **Create digital equity and connectivity through broadband.**
- **Support small businesses and regional economies.**
- Expand affordable housing.
- Reduce homelessness

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](#).)

Not applicable.

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 (HEAL Act and Puget Sound Recovery) in the 2023-25 Operating Budget Instructions.

Not applicable.

10. How does this project contribute to meeting the greenhouse gas emissions limits established in RCW 70A.45.050, Clean Buildings performance standards in RCW 19.27A.210, or other statewide goals to reduce carbon pollution and/or improve energy efficiency? Please elaborate.

Increased access to broadband can reduce transportation miles through access to telehealth, remote education, work from home and home-based businesses.

11. How is your proposal impacting equity in the state? Which communities are impacted by this proposal? Include both demographic and geographic communities. How are disparities in communities impacted?

Access to high-speed internet is a well identified barrier to equal opportunities in education, accessing social services, working from anywhere in the state, telehealth, and many other areas. Communities living

with many social inequities are also among the most common un- and underserved areas for broadband accessibility and affordability. Building broadband infrastructure in all parts of the state impacts equity by providing reliable access to all parts of the digital world to all people in the state.

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

This action will combine with the budget authority already granted by the Legislature and \$150 million in federal BEAD resources. By providing the full authority for BEAD resources in the FY24 supplemental, the State Broadband Office will have no barriers to implementing this once-in-a-generation investment in the communities that need broadband service the most.

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: The NTIA must review and approve the state’s initial proposal, which is due in November 2023, and is estimated to release the initial 20% allocation of the state’s BEAD resources between January and March 2024. The state must submit its final proposal 12 months after approval of the initial proposal. After approval of the final proposal, estimated to be between January and March 2025, the state will receive the remaining 80% of federal BEAD resources. Based on this timeline, it is difficult to project the expenditure of federal BEAD resources in the later stages of the 2023-25 biennium, and the expenditures that would accrue in the 2025-27 biennium. For these reasons, we estimate that the initial 20% allocation will expend in the 2023-25 biennium, and the remaining funds equally distributed each fiscal year through FY29. Actual expenditures will vary based on the NTIA’s approval of the initial and final proposals, the state’s receipt of federal BEAD resources, and the project delivery of awarded projects in unserved and underserved communities.

BEAD NOFO, “all subgrantees that receive BEAD Program funds for network deployment must deploy the planned broadband network and begin providing services to each customer that desires broadband services within the project area **not later than four years after the date on which the subgrantee receives the subgrant from the Eligible Entity(State Broadband Office).**” The clock starts when the subgrant is officially awarded from the Eligible Entity to the subgrantee, not based on when funding is released from NTIA to the Eligible Entity.

Account	2023-2025	2025-2027	2027-2029	2029-2031	2031-2033
Fund 001-2	\$245,548,413	\$491,096,826	\$491,096,826		
Total	\$245,548,413	\$491,096,826	\$491,096,826		

FTE’s: (Fund)

FTEs	2023-2025	2025-2027	2027-2029	2029-2031	2031-2033

Total					

Contact	
Preparer Name:	Erika Henry
Assistant Director Approval?	<input type="checkbox"/>
Preparer phone number:	(360) 790-3274
Date:	7/12/23

**Capital Project Request - Narrative Template
FY24 Supplemental Capital Budget Plan**

Section 1

Proposed Title:	Green Jobs and Infrastructure Catalytic Fund
Project Class/Type	Grants
Agency Activity:	A049: State Energy Policy

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:	FY2025
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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 federal Bipartisan Infrastructure Law (BIL), Inflation Reduction Act (IRA) and CHIPS and Science Act are infusing billions of dollars into clean energy projects and investments, such as transportation electrification, grid resilience and energy efficiency. States are making investments to complement and match these opportunities, and private investment dollars are following. Washington has near-term manufacturing opportunities related to energy storage, hydrogen, solar, advanced transportation fuels, grid technologies, semiconductors and other supply chain components in these industrial verticals. These opportunities represent the potential for billions in clean energy investments for Washington, through state agencies, private sector, utilities, nonprofits and tribes.

Ensuring that Washington-based entities can successfully apply for this unprecedented amount of federal funding requires both financial support for matching funds as well capacity to support applications and administration of funds. This fund will ensure that more local governments, tribes and other Washingtonians can maximize support for high impact infrastructure and planning projects. For Washington to remain competitive for these federal opportunities and cultivate the growth of private-sector green jobs, a robust investment of Climate Commitment Act (CCA) funds must go towards ensuring the necessary elements to attract outside investment, federal and private, as well as ensure the necessary infrastructure is in place to attract the advanced, clean technology jobs of the future.

This proposal will support a variety of eligible activities all aimed at growing and keeping green jobs in WA and improving industrial infrastructure across the state, including: matching funds for federal grants for job creators in these industries, risk reduction for and investment in public and private industrial infrastructure, workforce development, and grants to projects that demonstrate high wage green job creation in WA. The projects will be furthering the goals of the Climate Commitment Act as described in RCW 70A.65.260 (1)(j), “Clean energy transition and assistance programs, activities, or projects that assist affected workers or people with lower incomes during the transition to a clean energy economy, or grow and expand clean manufacturing capacity in communities across Washington state...”

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

A \$250M fund, appropriated from the Climate Commitment Act funding, which would invest in a variety of activities to encourage investment and job growth in the clean technology and energy industries. Major provisions include:

- Matching funds for federal grants for communities, utilities, non-profits and job creators in high-impact, clean technology industries (\$80M);
- Grants to projects that demonstrate high-wage, clean job creation in Washington and help global fight against climate change, to include (\$150M):
 - Risk reduction for and investments in public and private infrastructure to enhance industrial lands in order increase a community's capacity for clean manufacturing;
 - Direct investments in workforce development to attract and train the advanced technology workforce required to grow the clean energy economy;
- Administration, both internal and external, to manage and track the unprecedented investment in this program (\$20M)

Example projects for which grants may be awarded include:

- Renewable generation;
- Consumer and residential decarbonization projects like heat pump, community energy planning, and project execution;
- New and incumbent worker training needed for new business development and public sector projects;
- Grant match intended to encourage entry to Washington's market for manufacturing advanced clean technology products related to energy storage, hydrogen, solar, advanced transportation fuels, grid technologies, semiconductors and other supply chain components.

The criteria to guide the distribution of these funds would include the Climate Commitment Act (CCA), HEAL/EJ requirements, workforce development strategies, the Clean Energy Transformation Act (CETA), the Washington State Energy Strategy (SES), and the Energy and Climate Policy Advisory Committee findings.

These funds directly address the Governor's commitment to not only fighting climate change and meeting our state climate laws, but also his desire to see the economic development that comes with this global energy transition. The advanced manufacturing jobs associated with the clean energy transition represent the high-paying, stable jobs of the future that will play increasingly important and sizeable roles in the Washington's economy.

This investment is expected to bring significant economic impact to Washington. Job growth in the clean energy sector outpaces national employment growth¹ and these targeted investments will help ensure these jobs grow here. Additionally, large scale business development projects in this sector support between 1,000 and 3,000 direct and indirect jobs. Projecting

¹ U.S. Dept. of Energy, "United States Energy & Employment Report 2023."

approximately 3-5 major projects per year, this investment could add between 3,000-15,000 jobs annually.

The competition for where these jobs locate is fierce across the U.S. and globally. Washington needs to invest to remain competitive. The infrastructure investments will not only directly contribute to expanding advanced, clean manufacturing but will also help bring Washington's industrial zones up to globally-competitive standards and ensure communities are better positioned to attract the clean energy and technology jobs that will anchor the State's future economy.

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.

Unprecedented investment, both federal and private, is pouring into technologies and projects that directly address both state law and global efforts to reduce and mitigate impacts from greenhouse gases and co-pollutants. Washington needs to invest in its communities now in order to attract and capture these opportunities that ensure we meet our carbon reduction requirements and secure Washington's future economy with the clean technology and advanced manufacturing jobs.

With the federal investments in the IRA, IIJA and CHIPS and Science Act, states are making investments to complement and match these opportunities, and private investment dollars are following. For Washington to remain competitive for these federal opportunities and cultivate the growth of private-sector green jobs, a robust investment of Climate Commitment Act (CCA) funds must go towards ensuring the necessary elements to attract outside investment, federal and private, as well as ensure the necessary infrastructure is in place to attract the advanced, clean technology jobs of the future. These federal funding opportunities require buy-in from the State, in the form of matching funds, in order for Washington entities to be competitive.

In addition to federal grant funding, Washington has a number of near term advanced, clean manufacturing opportunities related to energy storage, hydrogen, solar, advanced transportation fuels, grid technologies, semiconductors and other supply chain components in these industrials verticals. Investments in industrial infrastructure and workforce development provide an opportunity to lean into this new competitive environment and bring these investment dollars and jobs to Washington.

Funds will be disbursed as grants to eligible entities for the equitable deployment of clean energy technologies and infrastructure. Eligible projects should increase community resilience and incorporate public health metrics, support tribal energy sovereignty, encourage workforce development with union and high road jobs, prioritize use of low-carbon materials and sustainably sourced products, prioritize deployment of projects on preferred sites or provide opportunities for emerging technologies, life cycle and maintenance related to new technologies, or end of life and recycling opportunities. Eligible entities can include local governments, tribal governments, community-based organizations, non-profits, school districts, utilities, research institutions, for profit entities, and state agencies.

By not providing adequate state support for federal funding opportunities and private industrial investment, WA will miss out on leveraging critical federal dollars and be ill equipped to address equitable access to the clean energy transition. With the federal government and private capital currently set to invest tens of billions of dollars in clean energy infrastructure, this fund will be a critical key to unlocking potentially billions of dollars for Washington through state match funds and direct grants to projects.

2. What will the request produce or construct (i.e., pre-design 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 fund would result in the construction of public and private industrial infrastructure. It would also produce a sizeable increase in the amount of federal research and project funding invested in Washington state. These projects would cover the spectrum of project planning and implementation including pre-design, permitting, engineering, and construction. Additionally, funding would go towards investments in required infrastructure and curricula for workforce training and development.

Funds would be distributed on a rolling, competitive basis in order to ensure eligible projects are quickly funded to meet increasingly tight carbon reduction timelines.

The department must use funds to support eligible entities in applying for federal funding opportunities that achieve the 2021 State Energy Strategy and any subsequent updates and biennial energy reports, and in alignment with clean energy and climate mandates per RCW 19.405 and RCW 70A.65.

Eligible projects should strive to increase community resilience and incorporate public health metrics, support Tribal energy sovereignty, encourage workforce development with union and high road jobs, prioritize use of low carbon materials and sustainably sourced products, prioritize deployment of projects on preferred sites or provide opportunities for emerging technologies, life cycle and maintenance related to new technologies, or end of life and recycling opportunities.

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 would invest in clean energy transition and assistance programs, activities, or projects that assist affected workers or people with lower incomes during the transition to a clean energy economy, and grow clean manufacturing capacity in communities across Washington state.

During this decisive decade, the federal government is set to invest tens of billions of dollars in clean energy infrastructure and manufacturing. This fund will be a critical key to unlocking potentially billions of dollars for Washington through state match funding and investment in public and private industrial infrastructure to win globally competitive clean technology manufacturing opportunities.

By not providing adequate state support for federal and private investment opportunities, Washington will miss out on leveraging critical federal dollars and be ill equipped to address equitable access to the clean energy transition. We will also fail to take advantage of the economic development opportunities presented by this transition. Washington is positioned to secure a place in the future of advanced, clean technology manufacturing globally, but competition is fierce. If these CCA dollars are not reinvested in projects that both help us meet our climate requirements and create the products that the rest of the world will use to meet its climate goals, Washington's economy will lose its position of global leadership. Communities that have historically been unduly burdened by energy infrastructure and pollution now have that chance to benefit from this transition in the form of high quality jobs and economic prosperity. Additionally, these upgrades to public and private infrastructure also contribute to increases in the resiliency of these same communities. The opportunities will be lost if we do not invest in the needed infrastructure and workforce now.

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 Energy Division explored requesting additional funding for the Clean Energy Fund (CEF) matching funds which were provided in the 2023 legislative session. In addition to the \$10M, the division would have asked for \$40M, additional dollars (for a total of \$50M). The division would also request that language changes be made to the previous budget allowing the department to disburse these funds without requiring a competitive process to allow the department to be responsive to grants on a rolling basis and mirrors the current cadence of federal funding opportunities

Ultimately, it was decided that combining that budget request with this larger ask from the Office of Economic Development and Competitiveness (OEDC) was a more strategic approach. The mechanism employed by OEDC to competitively award funds on a rolling basis is more flexible and responsive to the current funding environment than the competitive processes currently used in the CEF.

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

The impact would be broad across the state, with the work that OEDC focuses on supporting private industry and publicly owned industrial infrastructure, and the Energy Division supporting communities, tribes, CBOs, utilities and other entities.

Major investments in industrial infrastructure would be expected in all regions of the state, with an emphasis on existing industrial zoned areas. Traditionally underserved and under-represented peoples and communities would be invested in, the majority of which would fall outside of the Puget Sound region.

The matching grants would also be expected to significantly impact communities academic, research and planning activities as they chart a course to fight climate change within their communities by bringing significantly more resources to bear on the issues.

6. Does this project or program leverage non-state funding? If yes, how much by what fund source, and could the request result in matching federal, state, local, or private funds?

Yes. These funds would be explicitly used to leverage much larger sources of federal funds, as well as private capital and investments. With the federal investments in the IRA, IIJA and CHIPS and Science Act, there is an unprecedented amount of federal funding available to projects that enhance our fight against global climate change. Leveraging state funding for matches to federal grants promises to make Washington competitive for billions of dollars in federal funding.

For example, The Bipartisan Infrastructure Law established the Regional Clean Hydrogen Hubs program, which includes \$7 billion to establish regional clean hydrogen hubs across America. The Washington-led Pacific Northwest Hydrogen Association (PNWH2) is a national finalist for US Department of Energy grant funding of \$1 billion, to invest in regional hydrogen infrastructure. This billion dollars of federal investment will bring an additional \$8 billion of private investment to the region. In order to maintain competitiveness with projects across the United States, Washington state will need the ability to provide significant matching funds to attract those federal and private investments. Washington is competitive for this and many similar opportunities that have arisen from the unprecedented federal investments available, but matching funds such as ones proposed in this fund are crucial to maintaining this competitiveness.

Alongside the federal investment in our country's installed clean technology manufacturing base, there is a never-before-seen investment of private funds in projects that create jobs and secure the United States' leadership in advanced manufacturing of clean technologies. This program will ensure that Washington's communities will be competitive, from a required infrastructure standpoint, in attracting and leveraging these private investments. To date, Washington has lost significant investments to other states equaling tens of billions of dollars and thousands of jobs due to industrial areas not being able to respond quickly to potential investment. Leveraging CCA dollars to ensure we remain competitive for job-creating private investment is critical.

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 Washington State Department of Commerce focuses on strengthening our key industries, expanding international trade, helping small businesses grow, providing training to a new generation of workers, providing access to funding, and supporting the work of our local economic development partners in all 39 Washington counties. This fund would directly support Commerce's OEDC mission to strengthen communities and create living wage jobs statewide.

It also supports the findings of Commerce Energy Division's 2021 State Energy Strategy. Investments such as those proposed in this fund will not only help us meet our climate and carbon reduction commitments as a state but they will also support the other opportunity presented by the energy transition: supporting high-road jobs in traditionally underserved communities that will ensure Washington retains its place as a global leader in advanced manufacturing and clean energy technologies.

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](#).)

Not applicable.

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 (HEAL Act and Puget Sound Recovery) in the 2023-25 Operating Budget Instructions.

Not applicable.

10. How does this project contribute to meeting the greenhouse gas emissions limits established in RCW 70A.45.050, Clean Buildings performance standards in RCW 19.27A.210, or other statewide goals to reduce carbon pollution and/or improve energy efficiency? Please elaborate.

Not applicable.

11. How is your proposal impacting equity in the state? Which communities are impacted by this proposal? Include both demographic and geographic communities. How are disparities in communities impacted?

Thanks to ambitious and forward-thinking policies and plans like the Climate Commitment Act, Clean Energy Transformation Act, Healthy Environment for All Act, and State Energy Strategy, Washington is a leading state for climate policy in the U.S., with mandates meant to ensure a reduction of burdens and equitable distribution of benefits to frontline communities. The BIL and IRA both have a focus on energy equity, workforce development and community engagement, which puts Washington in an advantageous position for federal funds.

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

The initial scoping and planning for this new program shall include analysis of most effective reporting metrics to analyze efficacy of expenses towards stated goals of the program related to equity, job creation, non-state investment leveraged and reduced levels of Co2. Commerce would plan to report to the legislature the outcomes of this program.

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	2023-2025	2025-2027	2027-2029	2029-2031	2031-2033
Fund 26C-1		\$240,000,000			
Total		\$240,000,000			

FTE's: (Fund)

FTEs	2023-2025	2025-2027	2027-2029	2029-2031	2031-2033
Total					

Contact	
Preparer Name:	Brian Young
Assistant Director Approval?	<input type="checkbox"/> Chris Green
Preparer phone number:	206.291.3275
Date:	8/31/2023

**Capital Project Request - Narrative Template
FY24 Supplemental Capital Budget Plan**

Section 1

Proposed Title:	Clean Energy Community Decarbonization
Project Class/Type	Grants
Agency Activity:	A049: State Energy Policy

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:	FY2024
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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:

Vulnerable, rural, overburdened, and tribal communities often struggle to navigate and access the specifications of available funding opportunities to achieve decarbonization. The Department of Commerce proposes an expansion of the Clean Energy Fund to include Community Decarbonization, a flexible investment program that matches community-specific clean energy and decarbonization goals with place-based investments. The program will help communities develop and implement holistic decarbonization plans and provide or facilitate funding either directly through the program or through other available funding sources, maximizing the investments in places with the greatest environmental health disparities and moving the state more quickly to achieving its decarbonization goals.

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

Community Decarbonization will use the environmental health disparities map to identify vulnerable and overburdened communities. These communities will be categorically eligible for direct clean energy investments. The investments could include a range of clean energy projects, based off specific community-identified clean energy goals. Commerce will work with Washington Clean Energy Ambassadors (see operating decision package for Clean Energy Community Decarbonization) as well as government and community leaders to create and help implement community-driven, place-based decarbonization plans and related capital projects.

Key investment elements include:

- Planning for Clean Energy Communities and Pre-design Work
- Energy Efficiency Improvements
- Renewable Energy Sources
- Critical Infrastructure Resilience
- Community Infrastructure
- Transportation
- Education and Engagement
- Workforce Development

Pre-design work entails feasibility studies and designs and will be the first step for many communities toward successfully phasing a series of community-scale investments. The program also will fund a range of projects, including energy efficiency, renewable energy and storage designed to improve critical and community infrastructure resilience. This includes promoting sustainable transportation options and

demonstrating decarbonization and energy resilience where it is visible and beneficial to communities that typically have not seen the benefits of these sorts of investments. Collaborative efforts from local government, utilities, and residents are necessary to successfully implement such a program, especially in tribal, rural, and vulnerable & overburdened communities.

A community could seek investment across all or some of these elements. For example, a community could decide to:

- make all the homes within one area energy efficient,
- make renewable energy and resilience upgrades like solar panels and backup battery storage on a community center,
- electrify fleets for nonprofits and community service organizations

The community would have access to and rely on the expertise of a clean energy ambassador that would help provide general technical assistance, while also facilitating community-scale planning exercises, supporting communities in engaging in local and utility planning processes, and resourcing projects.

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.

Revenue primarily from the Climate Commitment Act (CCA), the federal Infrastructure, Investment, and Jobs act (IIJA), and the federal Inflation Reduction Act (IRA) has created an unprecedented opportunity for cross-sector investments in necessary decarbonization projects in Washington state. Despite this, Commerce continues to receive feedback from vulnerable, overburdened, rural, and tribal communities that they struggle to identify and access necessary funding to holistically plan for and implement their decarbonization goals within their community. As a result, many communities in Washington may be left out of critical clean energy projects and related benefits such as energy resilience, reducing energy burden, and workforce development opportunities.

Commerce currently deploys millions of dollars annually to fund projects that help pursue a more just, clean energy future focused on deploying specific technologies, but lacks flexible funding needed to create a place-based approach as communities have indicated they need. This program presents a unique opportunity to achieve many key objectives in the clean energy transition by broadening the number of communities able to participate and helping them to design solutions on their own terms. Doing so will create broader opportunities for workforce development, distribute the economic and environmental benefits of clean energy initiatives in communities that have not seen direct benefits to them, enhance energy resilience, alleviate energy burden, and move the state closer to achieving its climate goals.

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.

Key elements of community decarbonization include:

1. Planning for Clean Energy Communities and Pre-design Work: This forms the backbone of the decarbonization and resilience program. The pre-design stage should involve both generative community visioning and comprehensive feasibility studies to assess the existing energy usage, infrastructure, and potential for renewable energy integration. Community engagement through clean energy ambassadors will surface the specific needs, capacities, and preferences of the residents. An effective plan should also integrate the community's future growth and consider the broader urban context. Translating these concepts into design guidelines and standards that

prioritize energy efficiency and resilience in new construction will ensure the growth of the community fits the new vision.

2. **Energy Efficiency Improvements:** Improvements to homes similar to existing grants at Commerce, such as renovations for better insulation, installation of energy-efficient appliances and HVAC systems, and smart home technologies can help manage and reduce energy usage. Necessary environmental remediation (oil tank remediation) should be an allowable expense. This work can be connected to workforce development.
3. **Renewable Energy Sources:** Promotion and facilitation of renewable energy sources such as solar or possibly wind can help decarbonize the community (or community's energy supply and potentially generate revenue and reduce energy burden). Incentives for homeowners to install solar panels or home battery storage systems can also enhance energy resilience. This work can be connected to workforce development.
4. **Critical Infrastructure Resilience:** Enhancing the energy resilience of essential community services and critical facilities is vital. This might involve installing backup generation or microgrids that can provide power during grid outages, improving energy efficiency, and using renewable energy sources.
5. **Community Infrastructure:** The program might include measures to decarbonize communal spaces such as schools and community centers. This could involve installing renewable energy sources, promoting energy-efficient designs in new constructions, and creating green spaces that absorb carbon.
6. **Transportation:** Encouraging the use of active transport (walking, cycling), public transportation, or electric vehicles can help reduce transportation-related emissions. This might involve improving infrastructure for cycling and walking, providing charging stations for electric vehicles, or implementing car-sharing programs.
7. **Education and Engagement:** A successful program would also include an element of public education and community engagement to help residents understand the benefits of planning for an implementing specific projects in their community, and to encourage their active participation in the program.
8. **Workforce development:** Although noted in the energy efficiency and renewable energy elements above, this should connect more broadly to each of the elements above. This program also presents an opportunity to connect with local training and workforce development efforts to bolster place-based opportunities for labor and businesses in the community.

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

Planning for decarbonized communities enables overburdened, vulnerable, rural, and tribal communities to participate and benefit from the clean energy transition. This holistic approach considers community-specific needs and then connects communities with opportunities to fund projects that meet those needs. Flexible funding would help Commerce engage with communities to develop comprehensive clean energy plans and provide access to related funding for projects and initiatives that fit their place-based requirements. Such a program will help unlock decarbonization projects in more communities to more equitably distribute the benefits of the clean energy transition and increase participation overall to meet the State's goals for equity and clean energy. It would also help leverage state and federal funding sources and bring real, tangible benefits to communities that need them most.

Without this funding, communities across the state will continue to struggle to participate in the clean energy transition because they are competing for funding in programs not designed for them. They could fall further behind in terms of the financial, environmental, and health benefits from decarbonization. This program presents a unique opportunity to meet communities where they are and design solutions that will achieve Washington's bold targets in ways that are flexible to place-based community needs.

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

While it is possible to provide additional funding to existing programs, this approach fails to address the fact that existing program funding is not designed for vulnerable, overburdened, rural, and tribal communities. Simply adding additional funding to programs that communities have said are inaccessible and do not work for them will not achieve the emissions reductions and community benefits that a place-based community decarbonization approach can.

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

This program would serve communities across the state, primarily focusing on tribal, overburdened, rural, and vulnerable communities. Collaborative efforts from local government, utilities, and residents are necessary to successfully implement such a program.

Communities fitting these definitions will be identified using the Washington Environmental Health Disparities Map, the Environmental Justice screening tool from the Environmental Protection Agency, community feedback and outreach, and geographic tribal lands data.

6. Does this project or program leverage non-state funding? If yes, how much by what fund source, and could the request result in matching federal, state, local, or private funds?

Program funding could be used to help communities better position themselves to access funds from related state and federal sources including but not limited to: the Climate Commitment Act, the Infrastructure Investment and Jobs act, and the Inflation Reduction act. The program itself does not leverage non-state funding, but helps Washington communities plan for and meet the requirements of funding sources, making them stronger targets for future grants.

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.

This proposal furthers the agency's priorities of funding reliable infrastructure; building a clean, just clean energy economy; and increasing living wage jobs. It is crucial to our economic recovery strategy and aligns with state and agency strategies:

Alignment with the Governor's *Results Washington* goals:

- Goal 2: *A prosperous economy*, by creating living wage jobs and economic activity
- Goal 3: *Sustainable Energy and a Clean Environment*, by reducing energy consumption and accelerating clean energy production.

The request supports Commerce's goal to *strengthen communities* by aligning with the outcomes based approaches to the following outcomes:

- *Living Wage Jobs* – Creating living wage jobs through the construction and maintenance of projects

- *Reliable Infrastructure* – Updating our energy systems to be reliable, dynamic and innovative
- *Clean Energy Future* - Reducing energy consumption, increasing clean energy generation, decreasing carbon 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 (HEAL Act and Puget Sound Recovery) in the 2023-25 Operating Budget Instructions.

N/A

10. How does this project contribute to meeting the greenhouse gas emissions limits established in RCW 70A.45.050, Clean Buildings performance standards in RCW 19.27A.210, or other statewide goals to reduce carbon pollution and/or improve energy efficiency? Please elaborate.

This project contributes to meeting the greenhouse gas emissions limits established in RCW 70A.45.050 by providing access to decarbonization planning and implementation in communities across the state that have not had access to or been equipped to engage with existing funding opportunities. Place-based, holistic planning efforts needed especially by tribal, overburdened, rural, and vulnerable communities provide a mechanism by which these communities can make significant progress towards reducing greenhouse gas emissions in the immediate and long terms. Specific efforts include: promotion and facilitation of renewable energy sources, enhancing the energy resilience of essential community services and critical facilities, encouraging the use of active transport, public transportation, or electric vehicles, and public education and community engagement to help residents understand the importance of decarbonization and energy resilience

As a key program element, energy efficiency improvements will help manage and reduce energy usage in homes and buildings pursuant to the goals in RCW 19.27A.210. Funding will be used for renovations for

better insulation, installation of energy-efficient appliances and HVAC systems, and smart home technologies.

Other goals served by this program include: workforce development opportunities and planning and pre-design work in communities that have not yet initiated it.

11. How is your proposal impacting equity in the state? Which communities are impacted by this proposal? Include both demographic and geographic communities. How are disparities in communities impacted?

This investment is designed to increase equitable participation in, and distribution of the benefits from, a statewide clean energy transition. In direct response to community feedback, funding will be used to meet communities where they are and support them in planning for and executing place-based decarbonization projects to achieve long-term emissions reduction goals. Expanding opportunity to tribal, vulnerable, rural, and overburdened communities who have been yet unable to access funding opportunities will more equitably distribute the benefits from the clean energy transition such as workforce development opportunities, health and environmental benefits, and community resilience.

This program will specifically target tribal, overburdened, rural, and vulnerable communities in Washington identified using the Washington Environmental Health Disparities Map, the Environmental Justice screening tool from the Environmental Protection Agency, community self-identification, and geographic tribal lands data.

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

Using the tools described above, this proposal presents an opportunity for Commerce to streamline eligibility for our programs. Doing so can save on administrative costs for Commerce, participating households, and project lead staff.

RCW that establishes grant (if applicable):

Application process used (grants; if applicable):

Funding will be administered through a non-competitive process co-designed with communities that uses community outreach, mapping tools, and community self-identification to identify needed investments. Targeted and self-identified communities will receive funding through a simple, non-competitive grant application.

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	2023-2025	2025-2027	2027-2029	2029-2031	2031-2033
Fund 26C-1	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000

Total					

FTE's: (Fund)

FTEs	2023-2025	2025-2027	2027-2029	2029-2031	2031-2033
Total					

Contact	
Preparer Name:	Michael Furze
Assistant Director Approval?	<input type="checkbox"/>
Preparer phone number:	360-529-9587
Date:	08/31/2023

**Capital Project Request - Narrative Template
FY24 Supplemental Capital Budget Plan**

Section 1

Proposed Title:	State BEAD Allocation-State Match
Project Class/Type	Grants and Loans
Agency Activity:	A050: Broadband Capacity Building

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:	FY 2024
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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:

Commerce requests an additional \$256,935,516 to meet the 25% match requirements associated with the federal NTIA Broadband Equity, Access and Deployment (BEAD) resources. The state's allocation for broadband infrastructure is \$1,227,742,066.30. Currently, Commerce has a \$50 million appropriation in state bonds to serve as match. This figure was based on an estimated allocation of approximately \$900 million, and because the actual allocation exceeded these initial estimates by more than \$300 million, the additional state match is necessary.

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

The State Broadband Office requests approximately \$257 million in state resources to leverage approximately \$1.23 billion in federal BEAD resources. In the previous biennium, based on information available at that time, the department requested \$200 million in required 25% state match funding on an anticipated \$800 million BEAD award. The SBO received \$50 million in state bonds to begin to meet the match requirement for these generational federal resources. It is unknown how many awards/grants these state match resources will fund, and it is also unknown how many grants/awards the state's BEAD program will fund.

This investment will continue to support incoming federal funds for broadband development across the state to increase digital equity and connectivity toward the Internet for All goal.

An estimated timeline of BEAD funding and when match resources would need to be in-hand:

- Q2 2024 (April-June): State Broadband Office will receive 20% of total allocation
 - \$245 million x 25% = \$61 million in match
- Q2 2025 (April-June): remaining 80% of allocation received
 - \$982 million x 25% = \$246 million in match

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.

President Biden's Bipartisan Infrastructure Law aims to deliver \$65 billion in infrastructure investment nationwide. This includes more than \$42.5 billion in broadband construction funds, for which the state submitted a letter of Intent in July 2022. The department, through the State Broadband Office (SBO), will receive \$1.23 billion in NTIA BEAD construction funding, based on a formula using the most recent FCC map. This map identifies 230,000 Washington unserved households that lack access to reliable, high-

speed internet service. Distribution of these federal resources will address the broadband needs in these identified communities, and ensure they have the connectivity they need to get online and participate in the digital world.

BEAD requires a minimum of 25% match and encourages match above this minimum threshold. It is unlikely that private or local funding sources alone can assist the state to achieve the minimum match requirement. In the scenario where there is inadequate state, local, private resources, the state would leave these generational federal resources on the table and be unable to utilize them fully. This would limit this golden opportunity to bring high-speed, reliable internet access to the most rural and unserved areas of the state.

Of note, efforts across Washington state resulted in 71,000 additional unserved locations being added to the FCC map. On a base of 167,000, this was a 42% increase and was among the top 10 increases across the country. These outcomes demonstrate the passion that Washington residents have around fully engaging in the digital world.

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 match funding will support public/private partnerships across Washington in the completion of broadband infrastructure projects as outlined in NTIA BEAD guidance to increase digital equity and connectivity. The funding provided by the department to public partners will purchase infrastructure materials such as fiber, optical line terminals, remote nodes and other equipment, as well as the construction costs to install materials and provide service to last-mile projects.

This proposal achieves greater digital equity and connectivity and advances the state's broadband access goals in un/under-served areas by getting infrastructure funds out to communities and public/private partnerships that are ready to invest in for broadband programs.

Projects will be completed over the next 4 years, from the execution date of each contract award.

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

There is no other funding readily available to communities who lack the ability to engage fully in the digital world due to a lack of broadband service availability. The department believes this is the best and only option to assist many communities to close the digital divide through broadband access and to increase digital equity and connectivity statewide. BEAD requires a minimum of 25% match and encourages match above this minimum threshold.

State match investment allows the state to receive the full federal funding allocation and to leverage more than \$1.23 billion in federal resources that will bring reliable, high-speed internet access to unserved and underserved communities.

By not dedicating additional state resources to match federal investment, we rely on contributions from small, unserved communities or the private sector. This may advance select projects with a strong likelihood to return private investment in the near-term, but in all likelihood would leave the high-cost unserved areas without a willing internet service provider. Similarly, small, unserved areas likely do not have the scale of resources needed to ensure a minimum 25% project match.

In addition, if the scenario unfolds where there is inadequate state, local, private resources, the state would leave these generational federal resources on the table and be unable to utilize them fully.

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

There are no known alternatives to accessing increased match resources, and it is unknown whether private, local, or tribal resources would be a component of project bidding for the areas highlighted in the state's BEAD plan until after the 2024 legislative session. Failure to obtain the 25% matching resources would result in a forfeit of \$1.23 billion of historical federal investment in broadband infrastructure funding.

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

It is the intent of the BEAD program to serve all unserved and underserved locations in the state, which are approximately 240,000 households statewide. This means that all unserved and underserved Washingtonians have the potential to be positively impacted. According to the NTIA, unserved residents are those that do not have access to internet speeds of 25/3 Mbps. Underserved residents are those with access to speeds less than 120/20 Mbps. This infrastructure funding is prioritized to make broadband available in unserved and underserved communities, ensuring that all Washingtonians have access to broadband infrastructure. Additionally, affordability is a key component of this program and will require ongoing collaboration with internet service providers, as well as support through digital navigators to connect people with the federal Affordably Connectivity Program subsidy.

6. Does this project or program leverage non-state funding? If yes, how much by what fund source, and could the request result in matching federal, state, local, or private funds?

This request ensures that \$1.23 billion in federal funding comes to Washington for the build out of broadband infrastructure.

From the [BEAD NOFO](#), *"all subgrantees that receive BEAD Program funds for network deployment must deploy the planned broadband network and begin providing services to each customer that desires broadband services within the project area **not later than four years after the date on which the subgrantee receives the subgrant from the Eligible Entity (SBO)**."* The clock starts when the subgrant is officially awarded from the SBO to the subgrantee, not based on when funding is released from NTIA to the Eligible Entity.

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.

This request ties to the Results Washington Goals:

- World-class education: Providing every Washingtonian a world-class education that prepares him or her for a healthy and productive life, including success in job or career, in the community and as a lifelong learner.
- Prosperous economy: Fostering an innovative economy where businesses, workers and communities thrive in every corner of our state.
- Healthy and safe communities: Fostering the health of Washingtonians from a healthy start to safe and supported future.

This supports the agency's two stated priority areas of equity in community development and equitable economic recovery. From the plan overview, with touchpoints for broadband bolded:

Equity in community development

- **Prioritize investment in underserved, historically disadvantaged, and vulnerable communities.**
- **Build capacity through community engagement, outreach and technical assistance.**

- **Partner with racial, geographic, and marginalized communities to understand the needs and challenges affecting their access to resources.**
- **Use data validated by community partners to inform funding decisions.**
- **Dismantle barriers to access so that communities are positioned to access resources, both through competitive processes and alternative mechanisms where appropriate.**

Equitable economic recovery

- **Promote key industry sectors, such as aerospace, life sciences, agriculture and others.**
- **Provide economic stimulus through sustainable infrastructure and clean energy investments.**
- **Create digital equity and connectivity through broadband.**
- **Support small businesses and regional economies.**
- Expand affordable housing.
- Reduce homelessness

This request supports the department’s goal to Create Digital Equity and Connectivity through Broadband, and six of the agency’s strategic objectives:

- Understand the needs and challenges affecting access to resources through deep community engagement and outreach.
- Consult with community partners on our data and data-informed decisions.
- Dismantle barriers to access and provide support so that communities across the state are positioned to access resources.
- Build systems that enable data-informed decision-making to improve equity.
- Establish internal (real time) information sharing that enables collaboration across the agency.
- Provide (proactive) technical assistance and help build capacity in organizations with trusted messengers.

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.](#))

Not applicable.

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 (HEAL Act and Puget Sound Recovery) in the 2023-25 Operating Budget Instructions.

Not applicable.

10. How does this project contribute to meeting the greenhouse gas emissions limits established in RCW 70A.45.050, Clean Buildings performance standards in RCW 19.27A.210, or other statewide goals to reduce carbon pollution and/or improve energy efficiency? Please elaborate.

Increased access to reliable, high-speed broadband can reduce transportation miles through access to telehealth, remote education, work from home and home-based businesses.

11. How is your proposal impacting equity in the state? Which communities are impacted by this proposal? Include both demographic and geographic communities. How are disparities in communities impacted?

This proposal leads with equity and focuses on those without internet access. Access to high-speed internet is a well identified barrier to equal opportunities in education, accessing social services, working from anywhere in the state, telehealth, and many other areas. Communities living with many social inequities are also among the most common un- and underserved areas for broadband accessibility and affordability. Building broadband infrastructure in all parts of the state impacts equity by providing reliable access to all parts of the digital world to all people in the state.

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

By requesting state match resources to fulfill federal match requirements, Washington can guarantee that we will leverage the full \$1.23 billion in allocated resources. We are facing a great unknown whether private or local resource would be available for all projects, and especially those in high-cost areas where providers have not previously felt the return on investment was present to deploy services. State match alleviates this unknown factor and ensures all project areas can receive broadband investment.

RCW that establishes grant (if applicable):

Application process used (grants; if applicable): Competitive based on federal requirements and the state's five-year action plan, initial plan and final plan, as submitted to the NTIA.

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: This generalized estimate of expenditures is informed by the approximate timelines associated with NTIA approval of requisite state planning documents for the overall distribution of funds. Each of the awarded projects must be completed approximately by June 30, 2029 (pending any extension requests). For these reasons, estimated expenditures are split approximately in half for the 25-27 and 27-29 biennia.

Estimated Expenditures:

Account	2023-2025	2025-2027	2027-2029	2029-2031	2031-2033
Fund 001-2	\$61,353	\$128,437,082	\$128,437,081		
Total					

Authority Level Requested:

Account	2023-2025	2025-2027	2027-2029	2029-2031	2031-2033
Fund 001-2	256,936,000				

Total					

FTE's: (Fund)

FTEs	2023-2025	2025-2027	2027-2029	2029-2031	2031-2033
Total					

Contact	
Preparer Name:	Erika Henry
Assistant Director Approval?	<input type="checkbox"/>
Preparer phone number:	(360) 790-3274
Date:	7/12/23

**Capital Project Request - Narrative Template
FY24 Supplemental Capital Budget Plan**

Section 1

Proposed Title:	Communities of Concern Commission Affordable Housing & Community Facilities Projects
Project Class/Type	Grants
Agency Activity:	A007: Streamline Housing and Community Development

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:	FY2024
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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:

This \$10 million request seeks to provide funding to the Communities of Concern Commission for pre-development and development costs to capital infrastructure programs. These funds would provide communities with capacity to develop projects: design, consultation, and other pre-development task necessary to prepare projects for capital funding. This funding would complement \$300,000 in operating funds to support and expand Commission operations and provide small grants to member organizations for operating related expenses that can't be covered by capital funds.

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

This proposal seeks funding that continues the work of the Commission, funded in the 23-25 capital budget Chapter 474, Laws of 2023 (sec. 1028) to document pre-development and development related projects. That work will also result in a report due to Commerce and the legislature by December 1, 2023. Initial work has resulted in requests of over 13 projects, adding up to over \$13.9 million dollars in requests and documented need for funding.

This proposal also comes out of the work and recommendations from the legislatively directed Capital Equity review. The capital equity review provided detailed accounting on the myriad barriers that systemically oppressed communities experience in pursuing and receiving capital funding, while underscoring that these barriers extend beyond capital needs, also impacting communities' ability to provide sustainable housing, community space, energy infrastructure and more.

A key recommendation from the study was providing funding and broader technical assistance, training, tools and practices to simplify and de-mystify grant application processes, particularly for organizations who represent and serve systemically oppressed communities.

Communities throughout the state do not have the capacity to develop projects for state capital funding especially rural and underserved communities. New investments are needed in pre-development programs to support the capital needs of systemically oppressed communities.

Informed directly from community engagement feedback, the following efforts are needed:

- Expanded program-specific technical assistance for applicants and potential applicants to Commerce capital funding.
- Expanded pre-development funding, including both capital and operating funding, to strengthen the ability of By and For and extremely rural entities to compete for capital funding from a variety of sources. This funding would not be contingent upon a future capital funding application to Commerce.

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 Communities of Concern Commission (CoCC), a coalition of leaders of nonprofit organizations that work primarily in communities of color in urban and rural areas, has demonstrated the need for continued investment and technical assistance for community-led assets to come to fruition. Commerce’s partnership with them also continues to reveal internal processes that need to be adjusted to make funding more accessible, while maintaining our role as a state steward of capital funding. A \$10 million capital appropriation for the CoCC identified eligible capital expenses to its growing network of partners can help us see wealth generation supported in communities long left out of the funding systems we oversee.

The Communities of Concern Commission include members with deep experience in building for their communities, yet are still facing barriers to standard funding. These member organizations include:

- Asia Pacific Cultural Center
- Bethel Christian Church – Seattle
- Catholic Community Services
- Catholic Housing Services
- Chief Seattle Club
- Community to Community
- Ethiopian Community in Seattle
- El Centro de la Raza
- First AME Church – Seattle
- FilAm Resources for Educational Advancement for Culture & Technology
- Latino Civic Alliance
- Lummi Stepping Stones
- Native Action Network
- Partners for Rural Washington
- SeaMar Community Health Centers
- Seattle Indian Services Commission
- Tibetan Association of Washington
- The Foundation of Homeless & Poverty Management
- United Indians of All Tribes Foundation
- Village Spirit Center / FAME – Equity Alliance of Washington
- Washington State Catholic Conference
- African Community Housing Development
- Intramuros Community Development Partners

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 funding will go to helping build the organizational capacity to support the community based projects led by Commission members. These projects support community housing and facilities, and help to build the generational wealth necessary for equitable recovery. By partnering with trusted and proven community organizations, invested in building the projects needed by their communities, we will have direct impact on community development opportunities that extend far past the boundaries of the facilities being built.

Funding would support the access, and remove barriers to access, to state capital project funding to include:

- Capacity Building
- Technical assistance
- Preliminary technical studies
- Architectural and engineering services
- Archeological and historic structure assessments
- Project related professional and technical services
- Construction management and observation fees
- LEED certification fees

Funding would help Community-based organizations who may be new to capital campaigns prove the feasibility of a project, which can help them then recruit additional non-state resources.

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

By their very nature, pre-development funds will provide capacity to underserved communities allowing for greater and more equitable access to the States capital funding. The Communities of Concern Commission was established to promote social welfare and economic development by empowering Black, Indigenous, and People of Color (BIPOC) nonprofit organizations. This includes capacity building by helping BIPOC nonprofits create, manage, and own their own affordable housing development projects and community facilities. Their mission is focused on addressing the impacts of poverty and institutional racism that disproportionately affects BIPOC populations.

Funding the projects put forward by the Communities of Concern Commission, a group trusted and closest to the organizations doing work in our communities, is how state agencies like Commerce can partner to see wealth generation fully realized through projects brought forward and prioritized by the Commission itself. The self-determination of communities to develop and build the projects brought forward by the communities themselves, is a way for our state system to be responsive to empowering voices that have historically been left out.

Historically underserved communities have lacked access to resources needed to prepare and plan for capital project funding and program development. Submitting capital and even operating funding applications without well-developed plans and the ability to demonstrate readiness to proceed, is generally a waste of time. Competition for limited funding is steep, and application prerequisites and funding priorities reward experience and demonstrated readiness. Low barrier, on-demand, grants are needed to support community entities in advancing their projects to the point of being eligible for and more competitive for funding programs at Commerce and through

other sources. Small to medium sized grants can support efforts like feasibility, engineering design, needs assessments, site assessments and site control activities, and other detailed expert plans. These project development activities are fundamental to implementing a project successfully.

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

While we have similar programs within Commerce that have seen great success, we know that allowing these organizations to develop and implement the work themselves in partnership with Commerce will ensure the most success for the small businesses they are serving. In order to begin this pilot program, we feel that a Direct Proposal is the best path forward for these organizations and for this program so that they can continue to work with Commerce to build out the resources being offered to the business owners but also build culturally and community specific programming that they know will provide direct impact to the communities they are serving.

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

- Communities of Concern Commission would be able to capture
 - project readiness progress
 - types of activities most needed by members
 - technical assistance metrics
- Case studies of how communities benefit from operating & pre-development opportunities that are partnered with capital funding
- Communities of Concern Commission should collect data on who they are serving, how services are offered and what projects are most successful
- On-going feedback and information sharing to improve commerce programs that will benefit communities across the state

6. Does this project or program leverage non-state funding? If yes, how much by what fund source, and could the request result in matching federal, state, local, or private funds?

Enter information here:

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.

Both the Governor and Commerce strive for equity and strive to ensure resources are getting in to marginalized communities. Supporting a coalition such as Communities of Concern Commission and the organization who make up the coalition will only further that goal. These organizations have worked for years to combat institutional racism. Giving them the tools and

resources they need to directly serve their communities will help to dismantle barriers and hurdles these communities have faced to receiving the support they may need. The funding of projects that are self-directed by organizations closest to the work and of the communities they seek to serve is also a core principle of Commerce’s equity work.

Under the Commerce 21-23 strategic plan this package will support the following areas:
Equity in community development:

Prioritize investment in underserved, historically disadvantaged and vulnerable communities.

Build capacity through community engagement, outreach and technical assistance.

Partner with racial, geographic, and marginalized communities to understand needs and challenges affecting their access to resources.

Dismantle barrier to access so that communities are positioned to access resources, both through competitive processes and alternative mechanisms when appropriate.

Equitable economic recovery:

- Provide economic stimulus
- Provide a pathway for equitable access to the tools and resources Commerce is offering to communities
- Create economic opportunity for communities who have historically been denied that opportunity

This funding would also support the Results Commerce goal of vibrant communities and targeted outcomes of building and maintaining local capacity.

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.](#))

Not applicable.

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 (HEAL Act and Puget Sound Recovery) in the 2023-25 Operating Budget Instructions.

Not applicable.

10. How does this project contribute to meeting the greenhouse gas emissions limits established in RCW 70A.45.050, Clean Buildings performance standards in RCW 19.27A.210, or other statewide goals to reduce carbon pollution and/or improve energy efficiency? Please elaborate.

Not applicable.

11. How is your proposal impacting equity in the state? Which communities are impacted by this proposal? Include both demographic and geographic communities. How are disparities in communities impacted?

By their very nature, pre-development funds will provide capacity to underserved communities allowing for greater and more equitable access to the States capital funding. The Communities of Concern Commission was established to promote social welfare and economic development by empowering Black, Indigenous, and People of Color (BIPOC) nonprofit organizations. This includes capacity building by helping BIPOC nonprofits create, manage, and own their own affordable housing development projects and community facilities. Their mission is focused on addressing the impacts of poverty and institutional racism that disproportionately affects BIPOC populations.

Funding the projects put forward by the Communities of Concern Commission, a group trusted and closest to the organizations doing work in our communities, is how state agencies like Commerce can partner to see wealth generation fully realized through projects brought forward and prioritized by the Commission itself. The self-determination of communities to develop and build the projects brought forward by the communities themselves, is a way for our state system to be responsive to empowering voices that have historically been left out.

Historically underserved communities have lacked access to resources needed to prepare and plan for capital project funding and program development. Submitting capital and even operating funding applications without well-developed plans and the ability to demonstrate readiness to proceed, is generally a waste of time. Competition for limited funding is steep, and application prerequisites and funding priorities reward experience and demonstrated readiness. Low barrier, on-demand, grants are needed to support community entities in advancing their projects to the point of being eligible for and more competitive for funding programs at Commerce and through other sources. Small to medium sized grants can support efforts like feasibility, engineering design, needs assessments, site assessments and site control activities, and other detailed expert plans. These project development activities are fundamental to implementing a project successfully.

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

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	2023-2025	2025-2027	2027-2029	2029-2031	2031-2033
Fund 057-1	\$10,000,000				
Total	\$10,000,000				

FTE's: (Fund)

FTEs	2023-2025	2025-2027	2027-2029	2029-2031	2031-2033
Total					

Contact	
Preparer Name:	Marissa VanHoozer
Assistant Director Approval	<input type="checkbox"/>
Preparer phone number:	
Date:	

**Capital Project Request - Narrative Template
FY24 Supplemental Capital Budget Plan**

Section 1

Proposed Title:	Crisis Stabilization Facility-Trueblood Phase 3
Project Class/Type	Grants and loans
Agency Activity:	D47 Behavioral Health Capacity Grant

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:	FY 2025
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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 (Commerce), in consultation with the Health Care Authority, request \$10 million in capital funding solely for 16 crisis stabilization beds in the Thurston/ Mason region. This proposal is consistent with the settlement agreement in A.B, by and through [Trueblood, et al., v. DSHS, et al., No. 15–35462](#).

We proposed to develop 16 licensed crisis stabilization beds in the Thurston/Mason region to meet implementation plan expectations for Phase 3 of the Trueblood Settlement Agreement. These beds will serve as a health care alternative to jail, emergency room settings or evaluation and treatment center services for individuals experiencing a mental health crisis or an acute behavioral health problem by providing short-term, prompt attention and effective support in a respectful environment by a multi-disciplined treatment team within the community. If there is not a provider able to create treatment capacity at a new facility, funds could alternatively create 16 new bed spaces at an existing evaluation and treatment center, or other licensed behavioral health agency.

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

Crisis triage/crisis stabilization (CT/CS) facilities provide an option for law enforcement and other first responders to safely divert individuals away from the legal system into a safe and therapeutic environment. The Phase 3 implementation plan requires HCA to complete an assessment of need for crisis triage and stabilization capacity in the Thurston/Mason region. As outlined in the Trueblood Crisis Triage/Stabilization Bed Gap Analysis Report, Thurston/Mason leadership responded that their current facilities do not meet the CT/CS licensing requirement of the settlement agreement.

Commerce will collaborate with the HCA to award the needed capital funds, and ensure the funded organization(s) meets its financial obligation to make 16 licensed crisis stabilization beds available in the Thurston/Mason region.

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.

Trueblood, et. al. v. Department of Social and Health Services (DSHS), et al., is a class action lawsuit challenging unconstitutional delays in competency evaluation and restoration services for individuals detained in city and county jails. In July 2016, DSHS was found in contempt of federal court for failure to comply with timeliness deadlines related to inpatient services. In 2016 and 2017, DSHS was found in contempt for the timeliness of evaluation and restoration services. At that time, fines related to this contempt averaged approximately \$4 million per month. In February 2018, the parties engaged in a settlement negotiation process, resulting in a December 2018 contempt settlement agreement. The goal of the settlement is to ensure the state timely serves Class Members, as well as reduce the number of potential or existing Class Members. Under the settlement agreement, the majority of the monthly contempt fines, now averaging approximately \$13 million per month, are held in abeyance pending the state's ongoing compliance with the settlement agreement.

The Trueblood Contempt Settlement Agreement (Agreement or settlement agreement) establishes a plan for providing services for persons involved in the criminal court system and for providing behavioral health treatment to people when needed so they are less likely to become involved in the criminal court system. The settlement agreement includes a plan for phasing in programs and services regionally. In each phase, the state will focus its efforts within specifically identified and agreed upon region(s). The settlement agreement includes three phases of two years each and can be expanded to include additional phases. Phases run parallel to the legislative biennia beginning with the 2019-2021 biennium.

The development of these licensed crisis stabilization beds in the Thurston/Mason region will meet implementation expectations for Phase 3 of the Trueblood Settlement Agreement. These 16 beds will serve as a health care alternative to jail, emergency room settings or evaluation and treatment center services for individuals experiencing a mental health crisis or an acute behavioral health problem by providing short-term, prompt attention and effective support in a respectful environment by a multi-disciplined treatment team within the community.

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 Department of Commerce, serving as the fiscal agent for these funds, will partner with the HCA to draft a competitive grant application for these licensed crisis stabilization beds in the Thurston/Mason Region. This request would be subjected to an application process to which funds will not be interchangeable among other behavioral health allocations, which helps to identify the direct response to the requirements of the Phase 3 Trueblood settlement. The RFP process will determine who will be awarded the funding and whether new construction or renovation of existing facilities will be needed. This project is intended to begin with the RFP process in September 2024. This request will also allow for applicants who are met with funding gaps to re-apply if needed. The project completion date is not yet known. It is likely that this project will extend to the following biennium.

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 addresses the problem by adding crisis stabilization beds to the Thurston/Mason region in compliance with the Trueblood settlement agreement. This region does not currently have any crisis stabilization beds. The result of not acting would be the State being in breach of the Contempt Trueblood Settlement Agreement. As outlined in the Phase 3 implementation plan, the State has committed to identifying gaps in crisis stabilization bed capacity for these regions and addressing them.

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

To meet compliance with federal court orders, the existing gaps in crisis bed capacity were identified and implemented in Trueblood Phases 1 and 2. The settlement agreement requires funding for expansion to Phase 3 regions and beyond for future phases. The elements of the settlement agreement are designed to support the state's overall compliance with the permanent injunction by reducing demand for forensic services. If the elements cannot be implemented, it is expected that the state will continue to struggle to comply with the permanent injunction.

This proposal assumes investment in 16 licensed crisis stabilization beds specifically for the HCA Thurston/Mason region. These beds could be with either a provider who can expand current treatment capacity at a new or existing facility, or other licensed behavioral health agency.

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

Individuals to be served by this project would be those that are diverted from arrest, jail, and hospitalization. Those who are experiencing a behavioral health crisis should be served in a therapeutic environment where they can stabilize.

This project must be in the Thurston/Mason region and will include 16 beds.

6. Does this project or program leverage non-state funding? If yes, how much by what fund source, and could the request result in matching federal, state, local, or private funds?

Trueblood investments are backed by state bonds and do leverage non-state resources. For Trueblood investments in September 2022, the state's \$4.2 million investment leveraged \$5.3 million in non-state funding.

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 Legislature allocated \$12 million for Trueblood in the 2021-23 biennium for at least two Crisis stabilization facilities within King County. An additional allocation of \$74M was approved in the supplemental budget to address CSU gaps in WA overall. This request would identify Thurston-Mason Counties to meet Trueblood Phase 3 objectives to serve as a behavioral health care alternative to jail, emergency room settings or evaluation and treatment center services for individuals experiencing a mental health crisis as described. Commerce's role is to serve as the fiscal agent, which will allow the agency to continue to establish new behavioral health service capacity through acquisition, renovation or new construction of real property that strengthens the Governor's Behavioral Health transformation plan.

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.](#))

Not applicable.

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 (HEAL Act and Puget Sound Recovery) in the 2023-25 Operating Budget Instructions.

Not applicable.

10. How does this project contribute to meeting the greenhouse gas emissions limits established in RCW 70A.45.050, Clean Buildings performance standards in RCW 19.27A.210, or other statewide goals to reduce carbon pollution and/or improve energy efficiency? Please elaborate.

Not applicable.

11. How is your proposal impacting equity in the state? Which communities are impacted by this proposal? Include both demographic and geographic communities. How are disparities in communities impacted?

This proposal impacts equity by addressing the disproportionate number of individuals of color represented in the criminal justice system. These individuals experience greater barriers in access to health care and the community behavioral health system. According to the Vera Institute of Justice report of July 25, 2019, individuals of color are arrested at a much higher rate than Caucasians, and they are incarcerated in prison at nearly five times the rate of their Caucasian counterparts (<https://www.vera.org/blog/racial-disparities-in-mental-health-and-criminal-justice>). The Bureau of Justice Statistics identifies that at least a quarter of people in jail meet the identified threshold for psychological distress as measured by their history of mental health and the Kessler 6 (K6) nonspecific psychological distress scale (<https://www.bjs.gov/content/pub/pdf/imhprpji1112.pdf>). The programs and services outlined in the Settlement Agreement are designed to provide people with mental health conditions therapeutic interventions and connections to community-based support and resources instead of arrest and incarceration.

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

This proposal supports the state's required actions in the Trueblood settlement, creates new behavioral health treatment capacity, and diverts individuals from jails and emergency rooms.

RCW that establishes grant (if applicable): [71.05](#)

Application process used (grants; if applicable): Zoomgrants

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: Commerce assumes the commitment and expenditure of these resources will mirror those of previous crisis stabilization facilities, with half of funds expended in the first year with the remaining half expended in the next biennium (2025-27).

Account	2023-2025	2025-2027	2027-2029	2029-2031	2031-2033
Fund 057-1	\$5,000,000	\$5,000,000			
Total	\$5,000,000	\$5,000,000			

FTE's: (Fund)

FTEs	2023-2025	2025-2027	2027-2029	2029-2031	2031-2033
Total					

Contact	
Preparer Name:	Addeline Craig
Assistant Director Approval?	<input type="checkbox"/>
Preparer phone number:	321-3183933
Date:	8/9/2023

**Capital Project Request - Narrative Template
FY24 Supplemental Capital Budget Plan**

Section 1

Proposed Title:	PWB-Broadband
Project Class/Type	Grants/Loans
Agency Activity:	A113 – Public Works Infrastructure

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:	FY 2025
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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 PWB seeks to modify the language in the 2021 PWB broadband appropriation (40000152) and the 2019 PWB broadband appropriation (40000117) last updated in SB 6248 (2020) and re-appropriated in SB 5200 Sec. 6043 and Sec. 6029 in 23-25 to allow grants, as appropriate. The 2019 broadband appropriation has \$6.4M and 2021 has \$12.3M unobligated funds.

NEW SECTION. Sec. 6043. FOR THE DEPARTMENT OF COMMERCE 2021-23 PWB Broadband Infrastructure (40000152) The reappropriations in this section are subject to the following conditions and limitations: The reappropriations are subject to the provisions of section 1067, chapter 332, Laws of 2021, except funds may be used as loans or grants to finance eligible broadband infrastructure projects.

NEW SECTION. Sec. 6029. FOR THE DEPARTMENT OF COMMERCE Washington Broadband Program (40000117) The reappropriation in this section is subject to the following conditions and limitations: The reappropriation is subject to the provisions of section 1012, chapter 356, Laws of 2020, except funds may be used as loans or grants to finance eligible broadband infrastructure projects.

This is a technical request to allow PWB the authority to issue broadband grants as well as loans, and does not seek additional budget or expenditure authority.

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

This technical fix would add language authorizing grants with available broadband resources. By adding authority for grants as well as loans, the Public Works Board (PWB) would have the flexibility to offer grant/loan combinations that can incentivize the use of loan dollars for broadband projects in unserved areas of the state, which can support the health of the revolving Statewide Broadband Account.

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 initial 2019 broadband appropriation of \$25M was specified that half would be available as loans and grants. All grant funding has been awarded. The remaining loan dollars have not been marketable, especially with the anticipated influx of federal grant dollars.

Communities are not applying for PWB Broadband loan resources. This limits the opportunity to expand reliable, high-speed broadband to unserved communities and limits the state's ability to meet its broadband access and speed goals. The PWB seeks a budget proviso for the unutilized broadband loan resources to allow the flexibility to offer grant/loan combinations in a way that better incentivizes the use of loan dollars. The authority to package a PWB broadband grant/loan award will better incentivize investment in unserved areas.

The initial previous funding cycle for these resources resulted in only one award for a \$1.8M loan. In spring of 2023, the PWB capitalized the newly created emergency broadband program with \$5M and opened a PWB broadband cycle using resources from the 2019 and 2021 broadband appropriations. Only one community applied for these resources with a request for \$2.5M.

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 technical fix will support the deployment of broadband infrastructure in unserved communities. These investments will construct middle- and last-mile broadband infrastructure that bring reliable, high-speed access to communities that do not have it.

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

This budget fix allows the remaining appropriation from 2019 and 2021 to incentivize the use of the loan dollars by having the flexibility to offer grant/loan combos in areas distressed and unserved by broadband.

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

When enacted, RCW 43.155.160 specified how much of the funding allocation would be available as loans and grants. The PWB opened its first broadband construction cycle in 2020 and all available grant dollars were allocated. The remaining funds since that time are loan dollars. The PWB Broadband program opened two loan cycles in fiscal year 2023 and 2024 yet received only two applications for a total of \$4.3M. This indicates that the appetite for low interest broadband loans is low. Without the flexibility to offer grant/loan combinations it is unlikely the remaining appropriation for broadband will be used in the current biennium. Yet, there remain pockets of areas unserved by broadband that would likely be picked up by broadband service providers if incentivized by a combination of grant/loan funds. The PWB needs this budget fix to use its resources to promote the expansion of access to broadband services in unserved areas of the state.

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

The eligible applicants for this funding include local governments, public ports, Tribes, nonprofit organizations, cooperative associations, multiparty entities comprised of public entity members, limited liability corporations organized for the purpose of expanding broadband access, and incorporated

businesses or partnerships. The communities served are those areas of the state unserved by broadband infrastructure. In 2020, the PWB designated broadband as essential infrastructure and this budget fix would authorize the PWB to package a broadband grant/loan award will better incentivize investment in unserved areas that are distressed or severely distressed. Broadband projects in distressed and severely distressed areas will benefit most from the budget fix because the Board policy prioritizes severely distressed and distressed areas for grant funding, as available and also offers lower interest rates and lower match requirements.

6. Does this project or program leverage non-state funding? If yes, how much by what fund source, and could the request result in matching federal, state, local, or private funds?

Overall, the PWB is authorized in RCW 43.155.040(4) to provide grants and additional assistance to leverage federal programs, and other opportunities to target deeper financial assistance to communities with economic distress or projects that would result in rate increases to residential utility rates that exceed a determined percentage of median household income. The PWB Broadband program does require match, and the statute (RCW 43.155,160(9(b)(xv))) encourages leveraging greater amounts of funding for projects from other private and public sources.

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.

Broadband deployment in unserved and distressed areas of the state is a priority for Washington State broadband partners and the three broadband infrastructure funding agencies: the Washington State Broadband Office (WSBO), Community Economic Revitalization Board (CERB) and the Public Works Board (PWB). The ability to offer flexible financing that incentivizes investment in unserved broadband areas across the state is a priority.

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 (HEAL Act and Puget Sound Recovery) in the 2023-25 Operating Budget Instructions.

N/A

10. How does this project contribute to meeting the greenhouse gas emissions limits established in RCW 70A.45.050, Clean Buildings performance standards in RCW 19.27A.210, or other statewide goals to reduce carbon pollution and/or improve energy efficiency? Please elaborate.

Broadband deployment across Washington state helps close the digital divide which has a relationship to the ability for individuals and households to access virtual health care, education and have the option to work-from home, all of which reduce carbon pollution by reducing car or transit trips.

11. How is your proposal impacting equity in the state? Which communities are impacted by this proposal? Include both demographic and geographic communities. How are disparities in communities impacted?

There will be a positive impact to vulnerable and overburdened communities by ensuring unserved broadband areas that are considered severely distressed or distressed will have access to grant and loan funds for broadband infrastructure.

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

The PWB broadband program is one piece of the broadband deployment solution. By allowing flexibility for the funds to be used as grants or loans, the PWB can incentivize broadband service providers to reach urban areas unserved yet not eligible for other funding opportunities.

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	2023-2025	2025-2027	2027-2029	2029-2031	2031-2033
Fund 23J	\$18,673,799				
Total	\$18,673,799				

FTE's: (Fund)

FTEs	2023-2025	2025-2027	2027-2029	2029-2031	2031-2033
Total	0				

Contact

Preparer Name:	Maria Jawad
Assistant Director Approval?	<input type="checkbox"/>
Preparer phone number:	360 688 6008
Date:	7/25/2023

**Capital Project Request - Narrative Template
FY24 Supplemental Capital Budget Plan**

Section 1

Proposed Title:	Pacific Tower Capital Improvements
Project Class/Type	Grant/Loans
Agency Activity:	A025: Agency Administration

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:	FY 2025
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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 of Washington, through the Department of Commerce (department), is legally obligated to pay for capital improvement costs associated with the proportional use of the Pacific Tower campus, as specified in the lease agreement with the Pacific Hospital Preservation and Development Authority (PHPDA). This proposal seeks \$123,000 for the costs to replace the domestic water pump filtration system in the Pacific Tower.

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

In 2018, the PHPDA hired consultants to develop a 20-year capital improvements plan based on the current condition of the facility and the life expectancy of equipment. The plan outlines the estimated capital costs for each calendar year and is updated annually. The plan includes costs for capital improvements such as HVAC, elevators, electrical equipment, exterior brick, exterior windows, exterior hardscapes, and roofs. The department is obligated to pay for its proportional share of these capital improvements, as agreed upon in the lease between Commerce and the PHPDA. There is an immediate need to replace the domestic water pump filtration system in the Pacific Tower (\$123,000). These costs were originally planned for in FY26-27, but due to unexpected failures in the system, replacement is needed sooner than originally anticipated.

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 the lease agreement with the PHPDA, the department is legally obligated to pay for its proportional share of all capital improvement costs (see attachment: Pacific Tower Capital Maintenance Plan). Section 9.2.9 of the lease states:

“Notwithstanding anything to the contrary in this Lease, costs for Capital Improvements incurred by Landlord for the exclusive benefit of the Tenant with respect to the maintenance, operation, repair and replacement of the Premises or the Property (excluding the interior of the Reserved Space) shall be paid one hundred percent (100%) by Tenant. Any costs for Capital Improvements incurred by Landlord with respect to the maintenance, operation, repair and replacement of the Premises or the Property (excluding

the interior of the Reserved Space) that are not for the exclusive benefit of the Tenant will be billed pro rata to Tenant consistent with section 9.2.7."

If funding is not secured, it would prevent the department from meeting its legal obligations to the PHPDA, which would create additional risk to the state and possible litigation.

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 covers additional costs of needed Pacific Tower capital improvements for calendar year 2023. These costs are new and in addition to the original capital request funded by the Legislature in the 2023 legislative session. There is an immediate need to replace the domestic water pump filtration system in the Pacific Tower (\$123,000). These costs were originally planned for in FY26-27, but due to unexpected failures in the system, replacement is needed sooner than originally anticipated.

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

This budget request will provide the full funding necessary to meet the state's legal commitment as agreed upon in the lease between the PHPDA and the State of Washington, through the Department of Commerce.

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

There were no alternatives explored. The department is legally obligated to cover the cost of capital improvements associated with the department's use of the Pacific Tower campus. The PHPDA's capital maintenance plan identified the estimated cost and timing of various capital maintenance needs beginning in calendar year 2018 and updated annually.

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

The PHPDA and the department's current sub-leased tenants of the Pacific Tower.

6. Does this project or program leverage non-state funding? If yes, how much by what fund source, and could the request result in matching federal, state, local, or private funds?

The funding identified in this budget request is specific to the amount owed by the State of Washington, through the Department of Commerce, for the proportional use of the Pacific Tower campus as identified in the lease agreement between the PHPDA and Commerce. The Pacific Hospital will be responsible for the costs of the maintenance associated to their proportional use of the campus.

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 two focus areas: Equity in Community Development and an Equitable Economic Recovery. This proposal provides economic stimulus through reliable infrastructure investment, and promotes community development by funding education and social service facilities.

This request is consistent with the Governor's Results Washington priority of promoting healthy and safe 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 (HEAL Act and Puget Sound Recovery) in the 2023-25 Operating Budget Instructions.

N/A

10. How does this project contribute to meeting the greenhouse gas emissions limits established in RCW 70A.45.050, Clean Buildings performance standards in RCW 19.27A.210, or other statewide goals to reduce carbon pollution and/or improve energy efficiency? Please elaborate.

N/A

11. How is your proposal impacting equity in the state? Which communities are impacted by this proposal? Include both demographic and geographic communities. How are disparities in communities impacted?

N/A

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

N/A

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	2023-2025	2025-2027	2027-2029	2029-2031	2031-2033
Fund 057-1	\$123,000	\$1,374,000	\$1,310,000	\$1,749,000	\$987,000
Total	\$123,000	\$1,374,000	\$1,310,000	\$1,749,000	\$987,000

FTE's: (Fund)

FTEs	2023-2025	2025-2027	2027-2029	2029-2031	2031-2033
Fund					
Total					

Contact	
Preparer Name:	Tony Hanson
Assistant Director Approval?	<input checked="" type="checkbox"/>
Preparer phone number:	360-259-3835
Date:	7/14/2023