

Equity review of capital grant programs

Update to the Legislature per 2021-2023 State Operating Budget, Chapter 334 Laws of 2021 ([ESSB 5092](#) Sec. 129 (89)) and State Capital Budget, [Substitute House Bill 1080](#), Sec. 1087 (Community Relief) and Sec. 1093 (Capital Grant Program Equity))

Introduction

When the Legislature convened for the 2021 session, they grappled with evidence that the pandemic had exacerbated longstanding inequities in economic and social support systems. Numerous policy bills included provisions to address these inequities. A set of intertwined capital and operating budget provisos directed Commerce, as a trusted steward of capital programs, to help identify then systematically dismantle barriers that prevent Black, Indigenous, and People of Color (BIPOC) and other historically marginalized communities from accessing capital funds.

There are significant state and federal infrastructure investments being deployed to shore up recovery efforts. Thoughtful collaboration is crucial to achieving the equally important goals of stewardship of state and federal dollars and equitable access for all communities.

This report responds to three provisos:

- **ESSB 5092 Sec. 129 (89)** of the 2021-2023 Operating Budget provides \$400,000 to conduct a comprehensive equity review of state capital grant programs administered by Commerce.
- **SHB 1080 Section 1087** of the 2021-2023 Capital Budget provides \$13,650,000 for legislatively directed community relief projects, including funds to the Communities of Concern Commission for development of a proposed funding list of community-led capital projects that serve underserved communities.
- **SHB 1080 Section 1093** of the 2021-2023 Capital Budget provides \$5 million for a Capital Grant Program focused on equity. That program will be offered in 2022 and will incorporate recommendations from the equity review community engagement process.

This update provides an overview of preliminary implementation of the equity assessment and the community relief provisos. A final report due in June 2022 will more thoroughly document recommendations gleaned from outreach to our community partners.

Background on the provisos

The [2021-2023 Capital Budget](#)¹ directed Commerce to implement the following:

- 1. Contract \$500,000 to the Communities of Concern Commission “for development of a list of community-led capital projects that serve underserved communities.”** The department must “present the list prepared by the Communities of Concern Commission to the fiscal committees of the legislature for consideration for funding in the 2022 supplemental Capital Budget with the list of identified projects.” The Commission’s response in [Appendix C](#). Commerce will transmit the Commission’s list to the Legislature upon receipt. We anticipate transmitting this list by the end of January 2022 in order to inform the supplemental budget.
- 2. Provide an interim report to the Legislature on barriers identified and lessons learned through projects identified in section 1087.** In addition to the projects identified by Communities of Concern, Section 1087 included direct appropriations for a list of 12 Community Relief Projects. These projects, barriers identified and lessons learned so far in funding are provided in [Appendix B](#).
- 3. Provide an interim report to the Legislature on barriers identified and lessons learned “in section 1093 of this act (...).”**² Section 1093 provides \$5 million for “planning, technical assistance, and predesign grants for projects that would directly benefit populations and communities that have been historically underserved by capital grant policies and programs.”
The Legislature further wrote: “It is the intent of the legislature that these grants be available for: (1) Early action on, and in response to, the comprehensive equity review required of the department during the 2021-2023 fiscal biennium; and (2) for reduction of barriers to participation in capital grant programs administered by the department due to race, ethnicity, religion, income, geography, disability, or educational attainment.”
Commerce has not yet begun implementing the \$5 million appropriation, as we are in the initial stages of the “comprehensive equity review” intended to inform implementation of this appropriation. Feedback and recommendations developed from listening sessions will be used to design this grant cycle in 2022.
- 4. Provide an interim report to the Legislature on barriers identified and lessons learned “in the connection to the equity review required in the operating budget.”**³ Commerce’s initial outreach and anticipated implementation plan for this equity review constitute the body of this report. A detailed participant list is provided in [Appendix A](#).

¹ Section 1087, begins on page 78.

² Section 1093, begins on page 84.

³ Page 85

Comprehensive Equity Assessment

Commerce will use the feedback and recommendations developed during two rounds of listening sessions to design the \$5 million Capital Equity Grant cycle in 2022.

Community Relief Funding and Communities of Concern Commission review

The twelve [2021-23 Community Relief Funding grantees](#) identified in the proviso had the opportunity to identify barriers to accessing capital grant programs through surveys and phone interviews. Commerce will host listening sessions with those organizations in January 2022 with a focus on recommended actions and strategies for reducing barriers.

Combined, this information will help inform Commerce's overall capital equity effort. The CoCC will also develop a list of community-led projects that will be funded with the appropriation detailed in SHB 1080 Section 1087.

[Appendix B](#) has more information about the Communities of Concern Commission review, including details on projects receiving legislative appropriations.

Equity assessment listening sessions

Feedback from dozens of community leaders is helping us understand changes to meaningfully improve access to programs and will be used to design the \$5 million Capital Equity Grant cycle in 2022. Lessons from this process will also inform future capital programs across Commerce's broad range of program areas.

The Legislature, in the biennial Operating Budget ESSB 5092 Sec. 129 (89), identified the following goals for the equity assessment:

- Reduce barriers to historically underserved populations' participation in the capital grant programs
- Redress inequities in existing capital grant policies and programs
- Improve the equitable delivery of resources and benefits in these programs

In proposing to undertake this capital equity assessment as part of the governor's proposed 2021-2023 budget, Commerce designated three capital programs as focal points: the Housing Trust Fund, the Building Communities Fund and the Transportation Electrification program within the Clean Energy Fund. All of these programs are open only to local governments and nonprofit organizations who serve as critical partners in achieving key policy objectives of the state.

Commerce's assessment includes both an outreach component, described below, and an analytical component. It relies on community engagement, data analysis, stakeholder review of potential recommendations, and piloting process and program changes in the \$5 million Capital Equity Grant program directed from section 1093 of the biennial Capital Budget.

Outreach

Our first round of outreach is underway. To date, our partners have hosted five listening sessions involving about 75 people. A list of participating organizations and their geographic service areas is in [Appendix A](#). This round of

stakeholder outreach will continue in early 2022 and focuses on identifying barriers and challenges experienced by communities. Targeted focus groups to gather additional details and perspectives are also planned.

A second round of engagement in 2022 will focus on community review of potential recommendations for reducing barriers and improving equitable access and participation in capital grant programs.

Commerce is collaborating with the following statewide commissions and entities to conduct this review:

- Commission on African American Affairs
- Commission on Asian Pacific American Affairs
- Commission on Hispanic Affairs
- Governor’s Office of Indian Affairs
- Governor’s Committee on Disability Issues and Employment
- Office of Equity
- Office of Minority and Women’s Business Enterprises
- Environmental Justice Council (through the Intragency Work Group as the Governor’s Office completes official appointments to the Council)

We have also consulted with the Women’s Commission and Commerce’s Small Business Resiliency Network partner organizations, in addition to regular meetings with the Communities of Concern Commission, to help inform this work.

Identified barriers

Community partners identified several recurring barriers to accessing capital funding, as well as opportunities to improve our funding processes. Broadly, lack of readily accessible technical information necessary to submit a successful application is reported as the biggest impediment to success in securing grant funding.

Many of these barriers are not surprising. It’s necessary to identify and explore these barriers in order to ensure we are successful at dismantling them. Both the Capital Equity Grant listening sessions and Communities of Concern Commission conversations and outreach informed the following list of barriers.

Outreach and engagement barriers

Although funding opportunities are available and open to many organizations (for example, by subscribing to agency and partner mailing lists), a recurring theme is that the same organizations who have been funded in the past are the ones most likely to receive funds in the future. This was attributed to:

- Lack of sufficient awareness or timely notification of funding opportunities, which limits the ability for new entrants to submit applications successfully. In particular, organizations primarily serving Black, Indigenous, and People of Color (BIPOC), those with limited English proficiency, and those focused on rural communities and disability rights were less likely to receive information and outreach.
- Scoring criteria perceived to reward larger organizations that received previous funding, equating size and experience with capacity.

- Turnover at Commerce leads to inconsistency in key contacts for organizations and creates confusion about the point of contact for questions and pre-contract requirements.

Technical barriers

Technical barriers relating to capital funding and processes, which relate to systemic barriers regarding rules and regulations, were also identified.

- Lack of capital funding knowledge. For example, the Capital Budget passes in April and the award letters for legislatively-directed projects are not sent to recipients until June, which means that some project proponents are surprised when they cannot immediately access funding.
- Application and other processes are overly complex and lack plain language, examples, and transparency. Technical assistance or a toolkit was not readily available.
- Organizations that have previously been successful or that have the ability to hire consultants and grant writers are more likely to be successful.
- Applications and other program materials are not widely available in alternative languages and formats.

Organizational and capacity barriers

Nonprofit organizations working with government agencies experience unique challenges relating to government requirements and regulations.

- Reimbursement contracts and match requirements are challenging for small organizations and often require bridge loans or other up-front financing to launch the projects until reimbursement is available.
- Some organizations, particularly those relating to BIPOC communities, do not have access to traditional bank financing.
- Operating dollars are also needed, which are currently not available through the capital programs.
- Some organizations lack capacity, internal subject matter expertise and technical knowledge to move projects from pre-planning through design, fundraising, application and implementation.
- Capital projects must demonstrate that the grantee has site control through ownership or lease. Some organizations have difficulty obtaining a lease for 10 years or more.
- Contractors working with small organizations can experience delays in payment, which can leave them at a temporary loss.

Next steps

Community Relief Fund and Communities of Concern Commission

The Community Relief Fund Listening Sessions will begin in January 2022. The community capital facilities equity team will host listening sessions with community relief fund recipients to address their concerns and collaborate on approaches for reducing barriers to accessing capital funding.

Commerce will provide a project list from the Communities of Concern Commission for the unallotted \$2.5 million for the identified projects in SHB 1080 Sec. 1087. This list will be transmitted to the Legislature for funding consideration at the end of January 2022. Commerce will submit a final report to the Legislature with recommendations in June 2022.

Equity assessment update

The first phase of listening sessions continues through January 2022. Concurrently, analysis of program data is underway, and includes several elements:

- Conducting a literature review of recent studies and reports involving the capital programs of focus and other relevant research.
- Considering both organizations receiving funding and those benefiting from capital program funding.
- Analyzing past applicants to the three programs of focus, including those receiving full funding, partial funding and no funding.
- Examining geographic distribution of funding investments over time and compared to the Department of Health's Health Disparity Map rankings of social and health risks.
- Considering U.S. Census Tract data related to race/ethnicity, disability, income and other factors.
- Applying the Government Alliance on Race and Equity's (GARE's) racial equity tool, combined with community response, to integrate qualitative and quantitative data and help identify the most effective options for expanding access to capital programs.
- Developing a proposed implementation plan to ensure visibility about opportunities and challenges, including resource and staffing requirements. This will be in collaboration with Commerce program managers and staff.

The second phase of community engagement will focus on developing and reviewing options for consideration relating to the equity review of state capital grant programs in ESSB 5092 Sec. 129 (89) and the Capital Grant Program focused on equity in SHB 1080 Sec. 1093. This includes considering how Commerce can effectively promote and raise awareness of funding opportunities, provide technical assistance, and make process improvements to achieve the equally-important goals of stewardship and equity.

This assessment is the first phase of a comprehensive review to invest capital program funds more equitably. We intend to listen, study, consult with stakeholders, implement changes through pilots and measure results.

This process and accompanying changes will take a phased approach over time, due to several factors:

- Some improvements require legislation.
- Some improvements require agency rulemaking.
- Some customized adoption of process and program changes will be required due to the unique characteristics of Commerce's varied capital programs.
- This assessment currently covers three capital programs. Process and program changes across all the capital programs will require customized adoption, collaboration with existing oversight boards, and plenty of advance notice to potential applicants.
- We anticipate recommending new programs to address some of the key needs of communities. These will require legislative establishment and program development time, including potential development of new tools and systems used across the agency's capital funding programs.
- Most capital project applications involve projects that have been underway for years, including significant planning, pre-development, and preparation time. Consideration of this cadence of project development is integral to responsibly making programmatic changes by giving appropriate notice to stakeholders and potential applicants.

Geographic and demographic analysis

Our primary analytical component is assessing recent award histories and recipients to evaluate funding levels by geographic and demographic layers.

We will develop a funding cycle for the \$5 million Capital Budget appropriation from Section 1093, based on the best practices discovered in this review. Commerce plans to open that \$5 million Capital Equity Grant program in summer 2022, and will consult community stakeholders in the development this program.

Appendix A: Equity assessment listening session attendees

Representatives from the following organizations participated in listening sessions.

Organization name	Focus areas	Area served or organization location
African Chamber of the Pacific North West	Small business education, assistance and support for African immigrant business owners	Seattle - King County
Asian Pacific Cultural Center	Programs and services honoring artistry, business protocols, history and social practices of 47 countries and cultures	Pierce County/statewide
Benton Franklin Council of Governments	Local government collaboration, economic development and resource sharing	Benton and Franklin counties
Bethel Christian Church	Programs and ministries on issues affecting people in Seattle's Central District	Seattle
Carl Maxey Center	Innovative hub for Spokane's African American community and small businesses	Spokane County
Catholic Charities of Central Washington	Emergency and transitional housing	Yakima County
Catholic Community Services of Western Washington	Serve and support the poorest and most vulnerable individuals in Western Washington	Skagit County
Catholic Community Services of Western Washington	Youth Migrant Project; Tri-Parish Food Bank	Burlington
Centro Cultural Mexicano	Empowering and connecting Latino communities through art and culture	East King County
City of Burien	Economic development	South Seattle
City of Spokane	Communications, community engagement	Spokane County
City of Tacoma	Equity in contracting and workforce programs	Pierce County
Communities of Color Coalition	Empower, advocate for, uplift and support Black and African American / BIPOC communities	Snohomish County

Organization name	Focus areas	Area served or organization location
Communities of Concern Commission	Support other organizations serving communities of color in urban and rural areas in their efforts to manage affordable housing and community facilities	Seattle - King County, Skagit County, Whatcom County
Community Passageways	Support alternatives to incarceration for youth and young adults	Seattle and King County
Diana Sullivan	Serving the homeless and those experiencing poverty	Kitsap County
FMS Global Strategies	Diversity, equity and inclusion, racial justice, equity in cannabis and community engagement	Thurston County
Housing Lopez	Affordable housing, community development	Lopez Island
Indian American Community Services	Programs and services for the Indian American community	King County
Latino Civic Alliance	Strengthen communities of color through education, civic engagement and social empowerment, including healthcare, small business, public safety, labor, housing, economic development	Statewide
LatinX Unidos del South Sound	Latino community – policy development, economic development	Tacoma
Lehmbecker Law	Immigration rights attorney	Federal Way
Lopez Island Resource Center	Strategic planning, operations, new program development and fundraising for social service agencies	Lopez Island
Madres De Casino Road	Latino community services, empowering girls and women, supporting community with basic needs	Snohomish County
Mi Centro! (formerly Centro Latino)	Latino and Indigenous Native families. Cultural, outreach, crisis intervention, educational advocacy	Pierce County

Organization name	Focus areas	Area served or organization location
Mother Africa	Innovative, community-led approaches to helping women and their families on the path to their highest potential	South Seattle - Kent
Open Doors for Multicultural Families	Culturally and linguistically relevant information, services, and programming to culturally and linguistically diverse families of persons with developmental and intellectual disabilities	South Seattle - Kent
Pacific Islander Community Association of Washington (PICA-WA)	Marshallese community	Seattle - King County
People for People	Workforce Development	Yakima, Klickitat, Skamania, Kittitas counties
Seattle Urban Book Expo	Book and literacy	King and Pierce counties
The Moore Wright Group (TMWG)	Breaking cycle of poverty, abuse and abandonment	Grays Harbor County/statewide
University of Washington	Higher education	King County
Urban Impact Seattle	Break the cycle of poverty and community engagement	South Seattle
Urban League	Empowering, advocacy, uplift and support Black and African American community	Seattle
Wakulima USA	Farming and food business cooperative – small business development	South King County, Pierce County
Washington Small Business Development Center - South Seattle	Small business education, assistance and support	South Seattle
Washington State Commission on African American Affairs	Advising the governor on policy and establish relationships with local government and private sector organizations that promote equal opportunity for African Americans	Statewide

Organization name	Focus areas	Area served or organization location
Washington State Commission on Asian Pacific American Affairs	Asian Pacific American communities	Statewide
Washington State Commission on Hispanic Affairs	Improve public policy development and delivery of government services to the Hispanic community	Statewide
Washington State Independent Living Council	Advocacy, education, planning and collaboration to support people with disabilities to have equal rights and participation	Thurston County
Washington State Labor Council	Local unions and labor organizations	Thurston County, King County
Washington State Labor Council	Labor and community issues – Latino and union working families	Yakima
Washington State Women's Commission	Improving the lives of every woman by ensuring equitable opportunities and removing systemic barriers	Statewide
Western Washington Village Spirit Center/Washington Housing Equity Alliance	Housing, services, community economic development for Black community	Seattle
Whitworth College School of Business	Higher education	Spokane County
YWCA Pierce County	Opportunity and safety for adults and children, emergency shelter for domestic violence victims, education	Pierce County

Appendix B: 2021-2023 Appropriation for the Community Relief Fund (SHB 1080, Section 1087)

The table below outlines the Community Relief Fund projects receiving an appropriation from the Legislature. Commerce is actively working to help these grantees understand legal requirements for accessing capital funds. As of Dec. 31, 2021, three projects are under contract, six are negotiating contracts and fulfilling pre-contracting requirements, and four projects have not started the pre-contracting process.

Receiving a direct appropriation is the beginning of the process for a grantee. Typically, we send award letters in June. In the fall, we work to develop a scope of work and document many aspects of the project, including:

1. **Site control:** Applicants must demonstrate that the site is under control for a minimum of 10 years, either through ownership or a long-term lease. Completed projects must remain held by the grantee for 10 years from the date of final payment from the state
2. **Finalized budget:** Applicants must demonstrate financial capability to complete the project and must demonstrate that all non-state funds have been secured before a contract can be executed and funds released.
3. **Department of Archaeology and Historic Preservation and Tribal consultation:** All applicants must consult with the Department of Archaeology and Historic Preservation and affected Tribes on cultural resources proposed in state-funded construction or acquisition projects, including grant or pass-through funding that culminates in construction or land acquisition, per Executive Order 21-02. Projects that will undergo Section 106 review under the National Historic Preservation Act of 1966 are exempt from this requirement.
4. **Prevailing wage:** Construction projects that receive any LCP/DA grants are required to pay state prevailing wage as of the date the applicable Capital Budget is signed by the governor
5. **LEED:** Completion of the Leadership in Energy & Environmental Design Silver certification process may be required for projects as stipulated in RCW 39.35D.
6. **Securitization:** All grants over \$250,000 must provide a deed of trust or leasehold deed of trust as security for the grant to Commerce, and it must be recorded before reimbursement of state grant dollars.

The recipients of a direct appropriation have typically worked hard and organized significant support to get to this point of contracting. For example, the Tacoma City Association of Colored Women's Club was awarded \$919,000 in the Community Relief Fund for the Asberry Historic Home Site Acquisition project. This project will revive the spirit of Dr. Nettie Asberry, a civil rights leader, community leader and music teacher in Tacoma. The project will restore her home in the Hilltop neighborhood to its original state. Tacoma City Association of Colored Women's Club hopes this project will serve as a magnet to learn about Black economic history in Tacoma.

Carol Mitchell, who served as a board member for nearly 20 years, shared with Commerce staff what it took to get there:

“We applied for capital funding five times with no success, after multiple tries we raised enough funding to hire a consultant that applied for the funding for us. I’ve been providing services to this community for over 20 years and this is the first time we have successfully received capital funding. Not all organizations have the capacity to pay a consultant, all of the women apart of this group our volunteers and would rather provide services to the community then apply for a grant they have no confidence in getting.”

Table 1

Grantee	Project title	Grant amount
Chief Seattle Club	?al?al (means "Home" in Lushootseed) (Seattle)	\$900,000
Tacoma City Association of Colored Women’s Club	Asberry Historic Home Site Acquisition (Tacoma)	\$919,000
Rainier Beach Link Lake Committee	Be'er Sheva Park Improvements and Shoreline Restoration (Seattle)	\$500,000
Cham Reugee Community	Cham Community Center (CCC) (Seattle)	\$515,000
Delridge Neighborhoods Development Association	Elevate Youngstown Capital Project (Seattle)	\$515,550
Feast Collective	Feast Collective Capital Request (Spokane)	\$103,000
Rainier Valley Food Bank	Feeding Change Campaign (Seattle)	\$1,000,000
Khmer Community of Seattle & King County	Khmer Community Center & Cultural Hub (Seattle)	\$309,000
Neighborhood House	Neighborhood House Early Learning Facilities (Seattle)	\$2,050,000
Shiloh Baptist Church/New Life Housing	Shiloh Baptist Housing Development Project (Tacoma)	\$2,100,000
King County Housing Authority	Skyway Resource Center Renovation Project (Seattle)	\$400,000

Grantee	Project title	Grant amount
AbuBakr Islamic Center	Wadajir Residences & Souq (Tukwila)	\$1,339,000
*CoC Commission	To contract with the Communities of Concern	\$500,000
*CoC Commission	To fund the Communities of Concern project list	\$2,500,000

Appendix C: Communities of Concern – Barriers to Community Wealth Building Report

Submitted to Commerce in December 2021



Communities of Concern Commission Barriers to Community Wealth Building

There is racial disproportionality in many of the factors and structural systems that impact communities of color. For example, the number of Black and Brown people living in poverty as a percentage of their respective population is higher than the percentage of White people living in poverty. Financial and public social benefit systems have excluded people of color through policies that prevented POC access to needed resources. Redlining is a policy example that has prevented wealth building in communities of color.

The Communities of Concern Commission puts forward below the Barriers to Community Wealth Building:

- BIPOC projects are not adequately or equitably funded. We need adequate resources to start and finish our projects.
- BIPOC community- based organizations do not have access to traditional bank financing. Cost reimbursement becomes a barrier to projects where organizations do not have sufficient cash flow to fund up-front costs, or access to financial tools or strategies to cover the up-front costs.
- There is the double standard of being considered “new”, despite the experience represented on the team.
- Technical assistance is required to complete applications in a way that coincides with currently funded organizations, not “new” organizations.
- Technical assistance should be available in languages other than English for BIPOC English is a second language community-based organizations.
- How can Commerce Capital programs be more flexible and community oriented? Cut down the red tape barriers.
- How do you balance compliance with federal fund requirements and stewardship with partnership?
- Language matters for making funding and programs accessible and equitable; both in how Commerce refers to people and how Commerce ensures the funding reaches those who need it, and how they need it.

- Request for Proposal and Application language can be confusing, contradictory, and so technical that English language speakers find them difficult to understand and complete. Please use plain language. Applications are long and challenging to complete.
- Request for Proposal and Application language should be available in languages other than English for community-based organizations where English is the second language.
- The requirement for the full funding of a project before state funding can be available.
- The matching requirement of the state funds, especially for BIPOC small community-based organizations.
- Commerce communication and follow-up with applicants is uneven. There should be a standard to communicate and respond to applicants and the organizations who were not funded.
- More housing developers of color should be trained and available to BIPOC community-based organizations.
- Develop funding & technical assistance webinars in other languages to meet needs of applicants where English is a second language.
- Commerce should partner with the Communities of Concern Commission and other BIPOC community-based organizations to increase access to state investment in BIPOC communities.
- Equitable project underwriting to close the racial wealth gap in BIPOC communities.

The Commission thanks Commerce for our ongoing conversations to address racial disproportionality, and this opportunity to provide a list of the Barriers to Community Wealth Building.