

Provisions of the Boeing agreement

Note: Under the agreement, Boeing will invest \$900 million in facilities, while the state will invest more than \$4 billion in tax cuts, road improvements, ports, buildings, etc. Boeing is not required to create a single (net) new job in order to receive the tax incentives passed last year in HB 2294 (\$3.2 billion tax credit). In fact, since HB 2294 was signed into law, Boeing has laid off nearly 4,000 employees. While Boeing can choose to walk away from the contract at any time, the state is bound by the contract until Boeing officials announce they are no longer constructing 7E7s.

EFF's research has unearthed the following provisions in the governor's agreement with Boeing:

1. Boeing will not be responsible for paying any of the costs associated with the agreement unless specific terms are set in the agreement.
2. All parties with access to the contract details are instructed to "withhold or redact" information "to the fullest extent permitted by law." The contract stipulates that some details will not be included in the master agreement, which helps explain the runaround EFF has encountered obtaining records under the state's public records act.
3. All state parties must coordinate fully with Boeing for all press releases and publications concerning the 7E7 project.
4. If Boeing is sued for any provision of this contract, the State will assume the entire defense of the proceedings, including all fees, costs and expenses.
5. The state will form a private, non-profit board of aerospace employers—called the Aerospace Futures Board—to design and implement a plan for start-to-finish processing of the 7E7 production and assembly, workforce staffing and training, and management of all state resources dedicated to the project. Boeing will approve all organization documents (including bylaws) related to the formation of the Board, and will designate all members of the Board, including the public parties. The state will spend \$300,000 between now and 2006 to hire an executive director for the Board and fulfill other staffing needs. Future costs are not mentioned. The board will be responsible for directing the use of state resources for the 7E7.
6. The City of Everett agrees to issue permits to Boeing, its contractors and subcontractors within 60 days of receiving a "substantially completed" application.
7. Boeing will receive priority over all other same-day applicants when it applies for permits.
8. The state will hire a nationally-recognized consulting firm to publish a study that shows the economic benefits of Boeing's 7E7 project for the state.
9. The contract prohibits the state from suspending, revoking, or requiring repayment of the rate reductions authorized in HB 2294.

10. The state will give Boeing a \$3.2 billion reduction in Business and Occupation taxes over the life of the agreement. If Boeing's property tax goes up because of 7E7-related improvements, Boeing can claim the increase as a credit against its B&O tax bill.
11. The state will give Boeing a credit to purchase computer equipment and software; a sales and use tax exemption for the purchase of computer-related equipment; a sales and use tax exemption for labor, services and tangible personal property in the construction process; a property tax exemption; and a property tax credit.
12. Boeing will receive water, sewer, wastewater treatment, and solid waste services from the City of Everett and Snohomish County. The City and County are obligated to provide these services to Boeing's specifications as long as it is financially feasible.
13. If requested by Boeing, the Port of Everett and Snohomish County will purchase (to the extent possible) and lease back to Boeing some of the facilities needed for the 7E7 under terms and conditions the company finds acceptable within the parameters of state law. The state estimates that this will amount to a \$22,600,000 benefit to Boeing. In the documents EFF obtained, the state suggests ways for the Port to avoid a public hearing on acquiring the property and setting the terms of the lease for Boeing. In addition the documents say an appraisal of the Boeing property will not be needed, but suggest using the "reasonable business judgment of the Port Commissioners."
14. The state will give Boeing favorable treatment in its environmental impact analyses.
15. Boeing will receive priority for road access related to its project. Governor Locke highlighted \$4.3 billion in last year's transportation improvement package designed to reduce traffic congestion "in areas where Boeing operates." The contract details specific road improvements the state must make. DOT and Everett must assign the highest priority to projects affecting Boeing. Everett and DOT are required "to do all things and take all actions necessary to obtain funding for and construction of any new arterial roadways, including any utilities necessary to facilitate future development." The contract notes that the legislature has already approved \$238 million for improvements to I-5 and the contract requires the state to "expedite . . . to the maximum state feasible" the construction of new carpool lanes on I-5.
16. The Port of Everett will pay all dock and port fees and expenses related to its agreement with Boeing. This includes \$34 million for improving dock facilities. The entire cost "will be wholly funded by the Port of Everett." [Actually, the legislature provided \$16 million of this funding in the 2003-05 capital budget.]
17. All landing fees for the 7E7 and 747-400 are waived at Paine Field. Further Snohomish County agrees to "undertake and complete the design and construction of all runway and runway-related improvements," and "all design work to be performed by or on behalf of the County shall be accorded the highest priority." The "County shall pay all costs, fees and expenses in connection with or arising out of all obligations and Commitments set forth in this Section 6.15."
18. The state will pay for an end-to-end recruitment, screening, assessment and training of the workforce needed for Boeing's 7E7 project for both Boeing and its suppliers.

19. The state agrees to make available for Boeing up to \$14 million in workforce development funds. Any unused funds may be carried forward to future periods at Boeing's discretion.
20. The state will buy or design and build a facility to serve as Boeing's employment resource center. It will be a 30,000-40,000 square foot state-of-the-art facility. Boeing and its contractors will have exclusive use of the facility for a minimum of five years, and the state and federal government will pay all costs associated with building, equipping, operation, maintenance, repair, and replacement of the facility. Initially the state will appropriate at least \$10 million for the facility. After five years, Boeing will have priority use. *(EFF believes this facility violates the state constitution's prohibition on lending of credit and sole benefits for a corporation.)*
21. Prior to EFF's exposure of the contract details, the state had agreed to assist Boeing in developing a modeling program for converting a Boeing 747 into a cargo freighter. The state would have had to appropriate \$5 million in the current supplemental budget for this project, but the provision was dropped in a 2/2/04 revision to the contract.
22. Responding to Boeing's concerns about the cost of modifying a 747 into a cargo plane, the state agreed to provide non-cash support by working with state universities to recruit unlicensed college interns to engineer and design modifications to Boeing 747. The modified 747-400 cargo air freighters would be used to transport the large component parts for the 7E7. Students would receive academic credit for their work. The governor amended the contract February 2 after Boeing forfeited the state's offer of funding for the project. The state's Boeing 7E7 Project Manager, Martha Choe, told EFF on February 17, that this was no longer part of the contract. We do not know for certain if this provision has changed in light of the contract revision on the cargo freighter provision.
23. In a February 2 revision of the contract the governor ordered the state and CTED to ensure that the "747-400 Large Cargo Freighter is eligible for all benefits afforded the 7E7 program and shall facilitate a low cost operating environment for the aircraft through state tax abatements and other avenues available through the appropriate state and local governments." *EFF questions the governor's authority to amend HB 2294 (the \$3.2 billion aerospace tax incentives passed last year) without legislative approval.*
24. In the same February 2 revision, the governor waived all landing fees in Snohomish County (Paine Field) for 747-400 cargo planes. *EFF questions the governor's authority to bind future Snohomish County Commissioners.*
25. The state, in consultation with Boeing, will establish and pay for a two-year "aerospace manufacturing degree program" to train workers.
26. Boeing has the right to conduct all tests of the 7E7 and operate its facilities 24 hours a day, seven days a week.
27. The City of Everett will designate and pay a staff person (selected in consultation with Boeing) who will be responsible for making sure the City keeps its commitments to Boeing.

28. The state will designate and pay a full-time staff person (selected in consultation with Boeing) who will be responsible for expediting and monitoring all permit processes in which Boeing is involved.
29. The state will designate and pay a full-time project coordinator (selected in consultation with Boeing) who will be responsible for making sure everything goes smoothly between Boeing and all state and local government agencies and departments.
30. The state will designate and pay a “tax, commitment and incentives coordinator” (selected in consultation with Boeing) who will advise Boeing on all matters related to state taxes, and will apply for and pursue all grants for which the company may be either directly or indirectly eligible.
31. The state will designate and pay a “transportation infrastructure coordinator” (selected in consultation with Boeing) who will be responsible for coordinating all “road, rail, port and airport transportation matters” between Boeing, state and local government agencies, and outside service vendors.
32. The state will designate and pay a “workforce development coordinator” (selected in consultation with Boeing) who will be responsible for coordinating “all workforce development matters, including but not limited to training and recruiting” between Boeing, state and local government agencies, and outside service vendors.
33. The state will designate and pay a “large cargo freight coordinator” (selected in consultation with Boeing) who will be responsible for coordinating all “matters related to the development and operation of the 747-400 large cargo freighter operations” between Boeing, state and local government agencies, and outside service vendors. [This provision was deleted from the contract after EFF publicly released the information. In the revised contract, the Transportation Infrastructure Coordinator will perform these duties]

In effect, items 28-34 mean the state will hire or designate at least seven employees (selected in consultation with Boeing) to ensure that the state “shall do all things and take all actions” to facilitate Boeing in building and operating a state-of-the-art facility to assemble the 7E7 Aircraft.

34. The Legislature funded at least \$614,000 for personal service contracts and salaries related to the Boeing contract in the supplemental budget. *EFF has filed a complaint with the State Auditor because it appears CTED is violating the state’s competitive bidding process on this contract.*

For more information:

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