

---

HOUSE BILL 1986

---

State of Washington

53rd Legislature

1993 Regular Session

By Representatives Wineberry, Conway, Sheldon, Shin, Morris, Springer, Valle, Campbell, Patterson, Voloria, Lemmon, Pruitt and J. Kohl

Read first time 02/19/93. Referred to Committee on Trade, Economic Development & Housing.

1 AN ACT Relating to neighborhood reinvestment; amending RCW  
2 82.62.010, 82.62.040, 82.60.020, 82.60.050, 82.61.010, 82.61.040,  
3 82.61.070, 30.60.030, 32.40.030, 43.160.060, 43.165.010, and  
4 43.168.020; adding new sections to chapter 82.04 RCW; adding new  
5 sections to chapter 82.08 RCW; adding new sections to chapter 82.12  
6 RCW; adding a new section to chapter 84.36 RCW; adding new sections to  
7 chapter 30.60 RCW; adding new sections to chapter 32.40 RCW; adding new  
8 sections to chapter 33.04 RCW; adding new sections to chapter 43.84  
9 RCW; adding new sections to chapter 43.155 RCW; adding a new section to  
10 chapter 43.31 RCW; adding a new section to chapter 43.63A RCW; adding  
11 a new section to chapter 50.08 RCW; adding a new chapter to Title 43  
12 RCW; creating new sections; and making an appropriation.

13 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

14 NEW SECTION. **Sec. 1.** (1) The legislature finds that:

15 (a) Neighborhoods are a powerful indicator of the diversity and  
16 health of the state;

17 (b) There are geographic areas within communities that are  
18 characterized by a lack of employment opportunities and high  
19 unemployment, by an average income level that is below the median

1 income level for the surrounding community, by a lack of affordable  
2 housing, by deteriorating infrastructure, and by a lack of facilities  
3 for community services, job training, and education;

4 (c) Strategies to encourage reinvestment in these neighborhoods by  
5 assisting local businesses to become stronger and neighborhood  
6 residents to gain economic power involve a variety of activities;

7 (d) Reinvestment in these neighborhoods cannot be accomplished with  
8 only governmental resources and requires a comprehensive approach that  
9 integrates various incentives, initiatives, and programs to meet the  
10 economic, physical, and social needs of the neighborhood;

11 (e) Successful neighborhood reinvestment depends on a local  
12 government's ability to coordinate public resources in a cohesive  
13 strategy designed to leverage long-term private investment;

14 (f) Neighborhood reinvestment can strengthen the overall community  
15 tax base through increased taxes realized from the establishment of new  
16 business and physical property improvements;

17 (g) Local governments, in cooperation with neighborhood residents,  
18 can provide leadership as well as planning and coordination of  
19 resources and necessary services to address reinvestment in  
20 neighborhoods; and

21 (h) It is in the public interest to adopt a targeted approach to  
22 neighborhood reinvestment and enlist the resources of the public and  
23 private sectors, and neighborhood groups to revitalize neighborhoods.

24 (2) The legislature declares that the purposes of the neighborhood  
25 reinvestment act are to:

26 (a) Encourage neighborhood reinvestment through strong partnerships  
27 and cooperation between all levels of government, community-based  
28 organizations, neighborhood residents, and the private sector;

29 (b) Involve and educate the private sector and stimulate private  
30 reinvestment through the judicious use of public resources;

31 (c) Target governmental resources to those neighborhoods in  
32 greatest need; and

33 (d) Include neighborhood individuals and organizations in the  
34 policy-making process.

35 **PART I -- GENERAL PROVISIONS AND POLICIES**

36 NEW SECTION. **Sec. 101.** (1) It is the goal of the state of  
37 Washington to create an environment that fosters economic reinvestment

1 and empowerment of neighborhood residents through public and private  
2 sectors, and neighborhood efforts. The legislature declares that  
3 attainment of that goal is a state priority.

4 (2) The objectives of the neighborhood reinvestment act are to  
5 attain the state's goal of economic reinvestment and empowerment of  
6 neighborhood residents by working with the public and private sectors,  
7 and neighborhood residents to:

8 (a) Develop local comprehensive neighborhood reinvestment  
9 strategies that reflect the diverse elements of the neighborhood;

10 (b) Expand homeownership and rental housing opportunities;

11 (c) Increase employment opportunities for neighborhood residents;

12 (d) Link housing and supportive services;

13 (e) Revitalize the physical infrastructure;

14 (f) Develop new private investment in the neighborhood; and

15 (g) Stimulate neighborhood business development and retention.

16 NEW SECTION. **Sec. 102.** Unless the context clearly requires  
17 otherwise, the definitions in this section apply throughout this  
18 chapter.

19 (1) "Affordable housing" means residential housing that is rented  
20 or owned by a person or household whose monthly housing costs,  
21 including utilities other than telephone, do not exceed thirty percent  
22 of the household's monthly income.

23 (2) "Business firm" means any incorporated or unincorporated  
24 business entity authorized to do business in the state of Washington  
25 and subject to the state's business and occupation taxes levied in  
26 chapter 82.04 RCW.

27 (3) "Community service" means any type of counseling and advice,  
28 emergency assistance, or medical care furnished to individuals or  
29 groups in a designated neighborhood reinvestment area.

30 (4) "Crime prevention" means any activity that aids in the  
31 reduction of crime in a designated neighborhood reinvestment area.

32 (5) "Designated neighborhood reinvestment area" means a geographic  
33 area within the boundaries of a local government that meets the  
34 requirements of section 104 of this act and is so designated by the  
35 director of the department of community development.

36 (6) "Education" means any type of scholastic instruction or  
37 scholarship assistance to any person who resides in a designated

1 neighborhood reinvestment area that enable that person to prepare for  
2 better employment opportunities.

3 (7) "Housing assistance" means any activity that aids in the  
4 acquisition, preservation, rehabilitation, or construction of  
5 affordable housing within a designated neighborhood reinvestment area.

6 (8) "Job training" means any type of instruction to any person who  
7 resides in a designated neighborhood reinvestment area that enable that  
8 person to acquire vocational skills to become employable or seek a  
9 higher grade of employment.

10 (9) "Local government" means a city, town, or county.

11 (10) "Neighborhood assistance" means furnishing financial  
12 assistance, labor, material, or technical assistance to aid in the  
13 provision of community services, crime prevention, education, job  
14 training, and housing assistance activities in a designated  
15 neighborhood reinvestment area.

16 (11) "Nonprofit organization" means any public or private nonprofit  
17 organization that: (a) Is organized under federal, state, or local  
18 laws; (b) has no part of its net earnings inuring to the benefit of any  
19 member, founder, contributor, or individual; and (c) has among its  
20 purposes significant activities related to neighborhood assistance  
21 activities in designated neighborhood reinvestment areas. The term  
22 also includes public housing authorities created under chapter 35.82  
23 RCW and public corporations created under chapter 35.21 RCW that are  
24 located in designated neighborhood reinvestment areas.

25 NEW SECTION. **Sec. 103.** (1) Any local government may apply to the  
26 director of the department of community development for designation of  
27 an area within the local government as a designated neighborhood  
28 reinvestment area.

29 (2) The application shall be in the form and manner and contain  
30 such information as the director of the department of community  
31 development may, by rule, determine, provided that the application for  
32 designation shall:

33 (a) Contain information sufficient for the director of the  
34 department of community development to determine if the criteria  
35 established in section 104 of this act have been met.

36 (b) Be submitted on behalf of the local government by its chief  
37 elected official, or, if none, by the governing body of the local  
38 government.

1 (c) Contain a five-year neighborhood reinvestment plan that  
2 describes the proposed designated neighborhood reinvestment area's  
3 community development needs and present a strategy for meeting those  
4 needs. The plan shall address the following categories: Housing  
5 needs; public infrastructure needs, such as transportation, water,  
6 sanitation, energy, and drainage/flood control; other public facilities  
7 needs, such as neighborhood facilities or facilities for provision of  
8 health, education, recreation, public safety, or other services;  
9 community economic development needs, such as commercial/industrial  
10 revitalization, job creation and retention considering the unemployment  
11 and underemployment of area residents, accessibility to financial  
12 resources by area residents and businesses, investment within the area,  
13 or other related components of community economic development; and  
14 social service needs.

15 The local government is required to provide a description of its  
16 strategy for meeting the needs identified in this subsection (2)(c).  
17 As part of the strategy, the local government is required to identify  
18 the needs for which specific plans are currently in place and the  
19 source of funds expected to be used. For the balance of the area's  
20 needs, the local government must identify the source of funds expected  
21 to become available during the next two-year period and actions the  
22 local government will take to acquire those funds.

23 (d) Certify that neighborhood residents were given the opportunity  
24 to participate in the development of the five-year neighborhood  
25 reinvestment strategy required under (c) of this subsection.

26 (3) No local government shall submit more than two neighborhoods to  
27 the director of the department of community development for possible  
28 designation as a designated neighborhood reinvestment area under this  
29 section.

30 (4)(a) Within ninety days after January 1, 1994, the director of  
31 the department of community development may designate up to six  
32 designated neighborhood reinvestment areas from among the applications  
33 eligible for designation as a designated neighborhood reinvestment area  
34 under this section. The director of the department of community  
35 development shall make determinations of designated neighborhood  
36 reinvestment areas on the basis of the following factors:

37 (i) The strength and quality of the local government commitments to  
38 meet the needs identified in the five-year neighborhood reinvestment  
39 plan required under this section.

1 (ii) The level of private commitments by private entities of  
2 additional resources and contribution to the designated neighborhood  
3 reinvestment area.

4 (iii) The potential for reinvestment in the area as a result of  
5 designation as a designated neighborhood reinvestment area.

6 (iv) Other factors the director of the department of community  
7 development deems necessary.

8 (b) The determination of the director of the department of  
9 community development as to the areas designated as neighborhood  
10 reinvestment areas shall be final.

11 NEW SECTION. **Sec. 104.** (1) The director of the department of  
12 community development may not designate any area as a designated  
13 neighborhood reinvestment area unless that area meets the following  
14 requirements:

15 (a) The area must be designated by the legislative authority of the  
16 local government as an area to receive federal, state, and local  
17 assistance designed to increase economic, physical, or social activity  
18 in the area;

19 (b) The area must have at least fifty-one percent of the households  
20 in the area with incomes at or below eighty percent of the county's  
21 median income, adjusted for household size;

22 (c) The average unemployment rate for the area, for the most recent  
23 twelve-month period for which data is available must be at least one  
24 hundred twenty percent of the average unemployment rate of the county;  
25 and

26 (d) A five-year neighborhood reinvestment plan for the area that  
27 meets the requirements of section 103(2)(c) of this act and as further  
28 defined by the director of the department of community development must  
29 be adopted.

30 (2) The director of the department of community development may  
31 establish, by rule, such other requirements as the director may  
32 reasonably determine necessary and appropriate to assure that the  
33 purposes of this section are satisfied.

34 (3) In determining if an area meets the requirements of this  
35 section, the director of the department of community development may  
36 consider data provided by the United State bureau of the census from  
37 the most recent census or any other reliable data that the director

1 determines to be acceptable for the purposes for which the data is  
2 used.

3 **PART II -- BUSINESS AND HOUSING TAX INCENTIVES**

4 **Subpart A - Business and Occupation Tax Credits for Contributions**

5 NEW SECTION. **Sec. 201.** Unless the context clearly requires  
6 otherwise, the definitions in this section apply throughout sections  
7 202 through 206 of this act.

8 (1) "Affordable housing" has the same meaning as in section 102 of  
9 this act.

10 (2) "Business firm" has the same meaning as in section 102 of this  
11 act.

12 (3) "Community service" has the same meaning as in section 102 of  
13 this act.

14 (4) "Crime prevention" has the same meaning as in section 102 of  
15 this act.

16 (5) "Designed neighborhood reinvestment area" has the same meaning  
17 as in section 102 of this act.

18 (6) "Education" has the same meaning as in section 102 of this act.

19 (7) "Housing assistance" has the same meaning as in section 102 of  
20 this act.

21 (8) "Job training" has the same meaning as in section 102 of this  
22 act.

23 (9) "Neighborhood assistance" has the same meaning as in section  
24 102 of this act.

25 (10) "Nonprofit organization" has the same meaning as in section  
26 102 of this act.

27 (11) "Recipient" means the person or business firm receiving tax  
28 credits under this chapter.

29 NEW SECTION. **Sec. 202.** The department shall establish a program  
30 to provide tax credits to business firms making contributions to  
31 nonprofit organizations that are undertaking neighborhood assistance  
32 activities in designated neighborhood reinvestment areas. The tax  
33 credit may be used as a credit against any of the taxes imposed on the  
34 business firm under this chapter.

1        NEW SECTION.    **Sec. 203.**    (1) Application for tax credit under this  
2 chapter must be made before the actual contribution to the neighborhood  
3 assistance activity is made.    The application shall be made to the  
4 department of community development in a form and manner prescribed by  
5 the department of revenue and department of community development.

6        (2) The department of community development shall transmit a copy  
7 of the completed application for tax credits to the department of  
8 revenue, with its recommendations, within ten working days after  
9 receipt thereof.    Within thirty days after receipt of the completed  
10 application from the department of community development, the  
11 department of revenue shall determine the amount of tax credits to be  
12 allocated to the business firm.    The department of revenue shall notify  
13 the department of community development of its decision within ten  
14 working days.

15        (3) The department of revenue, in consultation with the department  
16 of community development, shall adopt rules specifying the  
17 administrative procedures applicable to applicants for tax credits, the  
18 form and manner in which the applications shall be filed, and the  
19 information to be contained therein.    The rule shall apply to  
20 administrative procedure before the department of revenue and the  
21 department of community development.

22        NEW SECTION.    **Sec. 204.**    In order to qualify for the tax credits in  
23 section 202 of this act, the neighborhood assistance activity must meet  
24 the following requirements:

25        (1) The neighborhood assistance activity must be located in a  
26 designated neighborhood reinvestment area;

27        (2) The business firm's contribution must be made to a nonprofit  
28 organization that is undertaking neighborhood assistance activities  
29 that are consistent with the area's five-year neighborhood reinvestment  
30 strategy under section 103 of this act.

31        NEW SECTION.    **Sec. 205.**    (1) No tax credit under this chapter for  
32 neighborhood assistance activities may be issued after December 31,  
33 2001.

34        (2) The department shall grant a credit against the tax due under  
35 this chapter of an amount equal to fifty percent of the approved amount  
36 contributed by the business firm for eligible neighborhood assistance



1 activities in designated neighborhood reinvestment areas during the  
2 taxable year.

3 (3) Any tax credit not used during the taxable year in which the  
4 contribution was made may be carried forward for the five immediately  
5 succeeding taxable years until the full credit has been used.

6 (4) The department shall keep a running total of all tax credits  
7 granted under this chapter during each fiscal biennium. The department  
8 shall not allow any credits that would cause the total tabulation for  
9 a biennium to exceed five million dollars. If all or part of an  
10 application for credit is disallowed under this subsection, the  
11 disallowed portion shall be carried over for approval the next  
12 biennium.

13 (5) No tax credit shall be granted to any bank, bank and trust  
14 company, trust company, national bank, savings bank, savings  
15 association, or savings and loan association for activities that are a  
16 part of its normal course of business.

17 (6) No recipient is eligible for tax credits in excess of two  
18 hundred thousand dollars during the taxable year and no tax credit  
19 shall be granted to any business firm for any amount contributed of  
20 less than two hundred fifty dollars.

21 NEW SECTION. **Sec. 206.** Applications and any other information  
22 received by the department under sections 202 through 205 of this act  
23 shall not be confidential and shall be subject to disclosure.

24 **Subpart B - Tax Incentives for the Preservation of Affordable Housing**

25 NEW SECTION. **Sec. 207.** A new section is added to chapter 82.08  
26 RCW to read as follows:

27 (1) The tax levied by RCW 82.08.020 shall not apply to the retail  
28 sale of building materials used in the remodeling, rehabilitation, or  
29 new construction of affordable housing or to the labor used to  
30 incorporate such building materials into real estate. As used in this  
31 section, "affordable housing" is as defined in section 102 of this act.

32 (2) In order to qualify for the exemption of retail sales tax on  
33 materials or labor under this section, the affordable housing must meet  
34 the following requirements:

35 (a) The affordable housing must be located in a designated  
36 neighborhood reinvestment area under section 103 of this act;

1 (b) The affordable housing development must be owned by an  
2 organization eligible to receive assistance through the Washington  
3 housing trust fund created in chapter 43.185 RCW;

4 (c) The affordable housing development must contain two or more  
5 residential rental dwelling units. Rental units used on a transient  
6 basis shall not be considered under this section; and

7 (d) At least fifty percent of the dwelling units must be set aside  
8 for occupancy by households with lower incomes for a period of at least  
9 twenty-five years.

10 (3) The department of revenue, in consultation with the department  
11 of community development, shall adopt rules specifying the  
12 administrative procedures applicable to applicants for exemption from  
13 retail sales tax on materials or labor, the form, manner, and time in  
14 which applications shall be filed, the information to be contained  
15 therein, and criteria for the approval or denial of requests for the  
16 exemption from retail sales tax on materials or labor under this  
17 chapter. The rules shall apply to both the department of revenue and  
18 the department of community development.

19 (4) The department of revenue shall grant an exemption from retail  
20 sales tax on materials or labor for affordable housing that is approved  
21 by the department of community development. The department of revenue  
22 shall keep a running total of exemptions granted under this section and  
23 section 208 of this act during each fiscal biennium. The department of  
24 revenue shall not allow any exemption that would cause the total  
25 tabulation for a biennium to exceed two million dollars.

26 (5) This section shall expire January 1, 2002.

27 NEW SECTION. **Sec. 208.** A new section is added to chapter 82.12  
28 RCW to read as follows:

29 (1) The provisions of this chapter shall not apply in respect to  
30 the use of building materials used in the remodeling, rehabilitation,  
31 or new construction of affordable housing or to the labor used to  
32 incorporate such building materials into real estate. As used in this  
33 section, "affordable housing" is as defined in section 102 of this act.

34 (2) In order to qualify for the exemption granted by this section,  
35 the affordable housing must meet the following requirements:

36 (a) The affordable housing must be located in a designated  
37 neighborhood reinvestment area under section 103 of this act;

1 (b) The affordable housing development must be owned by an  
2 organization eligible to receive assistance through the Washington  
3 housing trust fund created in chapter 43.185 RCW;

4 (c) The affordable housing development must contain two or more  
5 residential rental dwelling units. Rental units used on a transient  
6 basis shall not be considered under this section; and

7 (d) At least fifty percent of the dwelling units must be set aside  
8 for occupancy by households with lower incomes for a period of at least  
9 twenty-five years.

10 (3) The department of revenue, in consultation with the department  
11 of community development, shall adopt rules specifying the  
12 administrative procedures applicable to applicants for the tax  
13 exemption under this section, the form, manner, and time in which  
14 applications shall be filed, the information to be contained therein,  
15 and criteria for the approval or denial of requests for the tax  
16 exemption under this chapter. The rules shall apply to both the  
17 department of revenue and the department of community development.

18 (4) The department of revenue shall grant a tax exemption under  
19 this section for affordable housing that is approved by the department  
20 of community development.

21 (5) This section shall expire January 1, 2002.

22 NEW SECTION. **Sec. 209.** A new section is added to chapter 84.36  
23 RCW to read as follows:

24 (1) Any physical improvements to affordable housing upon real  
25 property shall be exempt from taxation for the three assessment years  
26 subsequent to the completion of the improvements. As used in this  
27 section, "affordable housing" has the same meaning as in section 102 of  
28 this act. In order to qualify for the property tax exemption, the  
29 property must meet the following requirements:

30 (a) The affordable housing must be owned by an organization  
31 eligible to receive assistance through the Washington housing trust  
32 fund under chapter 43.185 RCW;

33 (b) The affordable housing must contain two or more residential  
34 dwelling units;

35 (c) The value of the improvements to the affordable housing must  
36 exceed twenty percent of the current assessed value of the original  
37 structure;

1 (d) At least fifty percent of the dwelling units must be set aside  
2 for occupancy by households with lower incomes; and

3 (e) The rent paid by lower-income households in the dwelling units  
4 cannot exceed thirty percent of the household's income.

5 (2) Application for the exemption granted by this section must be  
6 made prior to the improvements being made. The application shall be  
7 made on forms prescribed by the department of revenue and furnished to  
8 the taxpayer by the county assessor. This exemption may not be claimed  
9 more than once in a five-year period.

10 (3) The department of revenue, in consultation with the department  
11 of community development, shall adopt such rules as are necessary and  
12 convenient to properly administer the provisions of this section.

13 (4) The department of revenue shall grant a property tax exemption  
14 under this section for affordable housing developments that are  
15 approved by the department of community development. The department of  
16 revenue shall keep a running total of exemptions granted under this  
17 section during each fiscal biennium.

18 (5) Applications and any other information received by the county  
19 assessor under this section shall be confidential. However, the  
20 department of community development and the department of revenue may  
21 conduct such audits of the administration of this section, and the  
22 claims for exemptions filed under this section, as they consider  
23 necessary.

24 (6) Any applicant knowingly signing a false application for an  
25 exemption under this section shall have the exemption revoked under the  
26 provisions of RCW 84.36.845.

27 (7) This section shall expire January 1, 2002.

28 **Subpart C - Tax Incentives for Business Development and Retention**

29 **Sec. 210.** RCW 82.62.010 and 1988 c 42 s 17 are each amended to  
30 read as follows:

31 Unless the context clearly requires otherwise, the definitions in  
32 this section apply throughout this chapter.

33 (1) "Applicant" means a person applying for a tax credit under this  
34 chapter.

35 (2) "Department" means the department of revenue.

36 (3) "Eligible area" means: (a) A county in which the average level  
37 of unemployment for the three years before the year in which an

1 application is filed under this chapter exceeds the average state  
2 unemployment for those years by twenty percent; ((or)) (b) a  
3 metropolitan statistical area, as defined by the office of federal  
4 statistical policy and standards, United States department of commerce,  
5 in which the average level of unemployment for the calendar year  
6 immediately preceding the year in which an application is filed under  
7 this chapter exceeds the average state unemployment for such calendar  
8 year by twenty percent(~~(. Applications under this subsection (3)(b)~~  
9 ~~shall be filed by April 30, 1989))~~); or (c) a designated neighborhood  
10 reinvestment area approved under section 103 of this act.

11 (4)(a) "Eligible business project" means manufacturing or research  
12 and development activities which are conducted by an applicant in an  
13 eligible area at a specific facility: PROVIDED, That the applicant's  
14 average full-time qualified employment positions at the specific  
15 facility will be at least fifteen percent greater in the year for which  
16 the credit is being sought than the applicant's average full-time  
17 qualified employment positions at the same facility in the immediately  
18 preceding year.

19 (b) "Eligible business project" does not include any portion of a  
20 business project undertaken by a light and power business as defined in  
21 RCW 82.16.010(5) or that portion of a business project creating  
22 qualified full-time employment positions outside an eligible area or  
23 those recipients of a sales tax deferral under chapter 82.61 RCW.

24 (5) "Manufacturing" means all activities of a commercial or  
25 industrial nature wherein labor or skill is applied, by hand or  
26 machinery, to materials so that as a result thereof a new, different,  
27 or useful substance or article of tangible personal property is  
28 produced for sale or commercial or industrial use and shall include the  
29 production or fabrication of specially made or custom made articles.  
30 "Manufacturing" also includes computer programming, the production of  
31 computer software, and other computer-related services, and the  
32 activities performed by research and development laboratories and  
33 commercial testing laboratories.

34 (6) "Person" has the meaning given in RCW 82.04.030.

35 (7) "Qualified employment position" means a permanent full-time  
36 employee employed in the eligible business project during the entire  
37 tax year.

38 (8) "Tax year" means the calendar year in which taxes are due.

1 (9) "Recipient" means a person receiving tax credits under this  
2 chapter.

3 (10) "Research and development" means the development, refinement,  
4 testing, marketing, and commercialization of a product, service, or  
5 process before commercial sales have begun. As used in this  
6 subsection, "commercial sales" excludes sales of prototypes or sales  
7 for market testing if the total gross receipts from such sales of the  
8 product, service, or process do not exceed one million dollars.

9 **Sec. 211.** RCW 82.62.040 and 1988 c 41 s 4 are each amended to read  
10 as follows:

11 RCW 82.62.020 and 82.62.030 shall expire (~~July 1, 1994~~) January  
12 1, 2002.

13 **Sec. 212.** RCW 82.60.020 and 1988 c 42 s 16 are each amended to  
14 read as follows:

15 Unless the context clearly requires otherwise, the definitions in  
16 this section apply throughout this chapter.

17 (1) "Applicant" means a person applying for a tax deferral under  
18 this chapter.

19 (2) "Department" means the department of revenue.

20 (3) "Eligible area" means: (a) A county in which the average level  
21 of unemployment for the three years before the year in which an  
22 application is filed under this chapter exceeds the average state  
23 unemployment for those years by twenty percent; (~~or~~) (b) a  
24 metropolitan statistical area, as defined by the office of federal  
25 statistical policy and standards, United States department of commerce,  
26 in which the average level of unemployment for the calendar year  
27 immediately preceding the year in which an application is filed under  
28 this chapter exceeds the average state unemployment for such calendar  
29 year by twenty percent (~~(. Applications under this subsection (3)(b)~~  
30 ~~shall be filed by April 30, 1989)); or (c) a designated neighborhood~~  
31 reinvestment area approved under section 103 of this act.

32 (4)(a) "Eligible investment project" means that portion of an  
33 investment project which:

34 (i) Is directly utilized to create at least one new full-time  
35 qualified employment position for each three hundred thousand dollars  
36 of investment on which a deferral is requested; and

1 (ii) Either initiates a new operation, or expands or diversifies a  
2 current operation by expanding or renovating an existing building with  
3 costs in excess of twenty-five percent of the true and fair value of  
4 the plant complex prior to improvement; or

5 (iii) Acquires machinery and equipment to be used for either  
6 manufacturing or research and development if the machinery and  
7 equipment is housed in a new leased structure: PROVIDED, That the  
8 lessor/owner of the structure is not eligible for a deferral unless the  
9 underlying ownership of the buildings, machinery, and equipment vests  
10 exclusively in the same person.

11 (b) "Eligible investment project" does not include any portion of  
12 an investment project undertaken by a light and power business as  
13 defined in RCW 82.16.010(5) or investment projects which have already  
14 received deferrals under this chapter.

15 (5) "Investment project" means an investment in qualified buildings  
16 and qualified machinery and equipment, including labor and services  
17 rendered in the planning, installation, and construction of the  
18 project.

19 (6) "Manufacturing" means all activities of a commercial or  
20 industrial nature wherein labor or skill is applied, by hand or  
21 machinery, to materials so that as a result thereof a new, different,  
22 or useful substance or article of tangible personal property is  
23 produced for sale or commercial or industrial use and shall include the  
24 production or fabrication of specially made or custom made articles.  
25 "Manufacturing" also includes computer programming, the production of  
26 computer software, and other computer-related services, and the  
27 activities performed by research and development laboratories and  
28 commercial testing laboratories.

29 (7) "Person" has the meaning given in RCW 82.04.030.

30 (8) "Qualified buildings" means new structures used for  
31 manufacturing and research and development activities, including plant  
32 offices and warehouses or other facilities for the storage of raw  
33 material or finished goods if such facilities are an essential or an  
34 integral part of a factory, mill, plant, or laboratory used for  
35 manufacturing or research and development. If a building is used  
36 partly for manufacturing or research and development and partly for  
37 other purposes, the applicable tax deferral shall be determined by  
38 apportionment of the costs of construction under rules adopted by the  
39 department.

1 (9) "Qualified employment position" means a permanent full-time  
2 employee employed in the eligible investment project during the entire  
3 tax year.

4 (10) "Qualified machinery and equipment" means all new industrial  
5 and research fixtures, equipment, and support facilities that are an  
6 integral and necessary part of a manufacturing or research and  
7 development operation. "Qualified machinery and equipment" includes:  
8 Computers; software; data processing equipment; laboratory equipment;  
9 manufacturing components such as belts, pulleys, shafts, and moving  
10 parts; molds, tools, and dies; operating structures; and all equipment  
11 used to control or operate the machinery.

12 (11) "Recipient" means a person receiving a tax deferral under this  
13 chapter.

14 (12) "Research and development" means the development, refinement,  
15 testing, marketing, and commercialization of a product, service, or  
16 process before commercial sales have begun. As used in this  
17 subsection, "commercial sales" excludes sales of prototypes or sales  
18 for market testing if the total gross receipts from such sales of the  
19 product, service, or process do not exceed one million dollars.

20 **Sec. 213.** RCW 82.60.050 and 1988 c 41 s 5 are each amended to read  
21 as follows:

22 RCW 82.60.030 and 82.60.040 shall expire (~~(July 1, 1994)~~) January  
23 1, 2002.

24 **Sec. 214.** RCW 82.61.010 and 1988 c 41 s 1 are each amended to read  
25 as follows:

26 Unless the context clearly requires otherwise, the definitions in  
27 this section apply throughout this chapter.

28 (1) "Applicant" means a person applying for a tax deferral under  
29 this chapter.

30 (2) "Person" has the meaning given in RCW 82.04.030.

31 (3) "Department" means the department of revenue.

32 (4) "Eligible investment project" means:

33 (a) Construction of new buildings and the acquisition of new  
34 related machinery and equipment when the buildings, machinery, and  
35 equipment are to be used for either manufacturing or research and  
36 development activities, which construction is commenced prior to  
37 December 31, (~~(1994)~~) 2001; or



1 (b) Acquisition prior to December 31, (~~1994~~) 2001, of new  
2 machinery and equipment to be used for either manufacturing or research  
3 and development if the machinery and equipment is housed in a new  
4 leased structure: PROVIDED, That the lessor/owner of the structure is  
5 not eligible for a deferral unless the underlying ownership of the  
6 buildings, machinery, and equipment vests exclusively in the same  
7 person; or

8 (c) Acquisition of all new or used machinery, equipment, or other  
9 personal property for use in the production or casting of aluminum at  
10 an aluminum smelter or at facilities related to an aluminum smelter, if  
11 the plant was in operation prior to 1975 and has ceased operations or  
12 is in imminent danger of ceasing operations for economic reasons, as  
13 determined by the department, and if the person applying for a deferral  
14 (i) has consulted with any collective bargaining unit that represented  
15 employees of the plant pursuant to a collective bargaining agreement  
16 that was in effect either immediately prior to the time the plant  
17 ceased operations or during the period when the plant was in imminent  
18 danger of ceasing operations, on the proposed operation of the plant  
19 and on the terms and conditions of employment for wage and salaried  
20 employees and (ii) has obtained a written concurrence from the  
21 bargaining unit on the decision to apply for a deferral under this  
22 chapter; or

23 (d) Modernization projects involving construction, acquisition, or  
24 upgrading of equipment or machinery, including services and labor,  
25 which are commenced after May 19, 1987, and are intended to increase  
26 the operating efficiency of existing plants which are either aluminum  
27 smelters or aluminum rolling mills or of facilities related to such  
28 plants, if the plant was in operation prior to 1975, and if the person  
29 applying for a deferral (i) has consulted with any collective  
30 bargaining unit that represents employees of the plant on the proposed  
31 operation of the plant and the terms and conditions of employment for  
32 wage and salaried employees and (ii) has obtained a written concurrence  
33 from the bargaining unit on the decision to apply for a deferral under  
34 this chapter.

35 (5) "Manufacturing" means all activities of a commercial or  
36 industrial nature wherein labor or skill is applied, by hand or  
37 machinery, to materials so that as a result thereof a new, different,  
38 or useful substance or article of tangible personal property is

1 produced for sale or commercial or industrial use and includes the  
2 production or fabrication of specially made or custom-made articles.

3 (6) "Research and development" means the development, refinement,  
4 testing, marketing, and commercialization of a product, service, or  
5 process before commercial sales have begun.

6 (7) "Buildings" means only those new structures used for either  
7 manufacturing or research and development activities, including plant  
8 offices and warehouses or other facilities for the storage of raw  
9 materials or finished goods if such facilities are an essential or an  
10 integral part of a factory, mill, plant, or laboratory used for  
11 manufacturing or research and development purposes. If a building is  
12 used partly for manufacturing or research and development and partly  
13 for other purposes, the applicable tax deferral shall be determined by  
14 apportionment of the costs of construction under rules adopted by the  
15 department.

16 (8) "Machinery and equipment" means all industrial and research  
17 fixtures, equipment, and support facilities that are an integral and  
18 necessary part of a manufacturing or research and development  
19 operation. "Qualified machinery and equipment" includes computers;  
20 software; data processing equipment; laboratory equipment;  
21 manufacturing components such as belts, pulleys, shafts, and moving  
22 parts; molds, tools, and dies; operating structures; and all equipment  
23 used to control or operate the machinery. For purposes of this  
24 chapter, new machinery and equipment means either new to the taxing  
25 jurisdiction of the state or new to the certificate holder. Used  
26 machinery and equipment may be treated as new equipment and machinery  
27 if the certificate holder either brings the machinery and equipment  
28 into Washington or makes a retail purchase of the machinery and  
29 equipment in Washington or elsewhere.

30 (9) "Qualified employment position" means a permanent full-time  
31 employee employed in the eligible investment project during the entire  
32 tax year.

33 (10) "Recipient" means a person receiving a tax deferral under this  
34 chapter.

35 (11) "Certificate holder" means an applicant to whom a tax deferral  
36 certificate has been issued.

37 (12) "Operationally complete" means constructed or improved to the  
38 point of being functionally useable for the intended purpose.

1 (13) "Initiation of construction" means that date upon which on-  
2 site construction commences.

3 **Sec. 215.** RCW 82.61.040 and 1988 c 41 s 2 are each amended to read  
4 as follows:

5 RCW 82.61.020 and 82.61.030 shall expire (~~July 1, 1994~~) January  
6 1, 2002.

7 **Sec. 216.** RCW 82.61.070 and 1988 c 41 s 3 are each amended to read  
8 as follows:

9 The department and the department of trade and economic development  
10 shall jointly report to the legislature about the effects of this  
11 chapter on new manufacturing and research and development activities in  
12 this state. The report shall contain information concerning the number  
13 of deferral certificates granted, the amount of sales tax deferred, the  
14 number of jobs created and other information useful in measuring such  
15 effects. Reports shall be submitted by January 1, 1986, and by January  
16 1 of each year through (~~1995~~) 2003.

17 NEW SECTION. **Sec. 217.** A new section is added to chapter 82.08  
18 RCW to read as follows:

19 (1) The tax levied by RCW 82.08.020 shall not apply to the retail  
20 sale of building materials used in the remodeling or expansion of a  
21 commercial or industrial structure or to the labor used to incorporate  
22 such building materials into real estate.

23 (2) In order to qualify for the exemption of retail sales tax on  
24 materials or labor under this section, the commercial or industrial  
25 structure must be located in a designated neighborhood reinvestment  
26 area under section 103 of this act.

27 (3) The department of revenue, in consultation with the department  
28 of community development, shall adopt rules specifying the  
29 administrative procedures applicable to applicants for exemption from  
30 retail sales tax on materials or labor, the form, manner, and time in  
31 which applications shall be filed, the information to be contained  
32 therein, and criteria for the approval or denial of requests for the  
33 exemption from retail sales tax on materials or labor under this  
34 chapter. The rules shall apply to both the department of revenue and  
35 the department of community development.

1 (4) The department of revenue shall grant an exemption from retail  
2 sales tax on materials or labor for commercial or industrial structures  
3 that are approved by the department of community development. The  
4 department of revenue shall keep a running total of exemptions granted  
5 under this section and section 218 of this act during each fiscal  
6 biennium. The department of revenue shall not allow any exemption that  
7 would cause the total tabulation for a biennium to exceed one million  
8 dollars.

9 (5) This section shall expire January 1, 2002.

10 NEW SECTION. **Sec. 218.** A new section is added to chapter 82.12  
11 RCW to read as follows:

12 (1) The provisions of this chapter shall not apply in respect to  
13 the use of building materials used in the remodeling or expansion of a  
14 commercial or industrial structure or to the labor used to incorporate  
15 such building materials into real estate.

16 (2) In order to qualify for the exemption granted by this section,  
17 the commercial or industrial structure must be located in a designated  
18 neighborhood reinvestment area under section 103 of this act.

19 (3) The department of revenue, in consultation with the department  
20 of community development, shall adopt rules specifying the  
21 administrative procedures applicable to applicants for the tax  
22 exemption under this section, the form, manner, and time in which  
23 applications shall be filed, the information to be contained therein,  
24 and criteria for the approval or denial of requests for the tax  
25 exemption under this chapter. The rules shall apply to both the  
26 department of revenue and the department of community development.

27 (4) The department of revenue shall grant a tax exemption under  
28 this section for affordable housing that is approved by the department  
29 of community development.

30 (5) This section shall expire January 1, 2002.

31 **PART III -- COMMUNITY REINVESTMENT AND PRIVATE INVESTMENT**

32 **Subpart A - Deposit of Surplus State Funds**

33 NEW SECTION. **Sec. 301.** (1) The supervisor of banking shall  
34 annually prepare and submit to the state treasurer a list of banks that  
35 have satisfied their continuing and affirmative obligations to help  
36 meet the credit needs of the applicant's entire community, including

1 low and moderate-income neighborhoods. Only banks in such list shall  
2 be eligible to receive deposits of state funds under the provisions of  
3 chapter 43.86A RCW.

4 (2) The supervisor of banking shall also prepare and submit  
5 annually to the state treasurer a list, based on information received  
6 from the appropriate federal agency, that indicates those federal  
7 savings and loan associations and national banking associations that  
8 have been determined by the office of thrift supervision, the federal  
9 deposit insurance corporation, the federal reserve bank, or the office  
10 of the comptroller of the currency to have complied with the  
11 requirements of the federal community reinvestment act (12 U.S.C. Sec.  
12 2901 et seq.), and any regulations promulgated in accordance with that  
13 act. Only those banks so listed shall be eligible to receive deposits  
14 of state funds under the provisions of chapter 43.86A RCW.

15 NEW SECTION. **Sec. 302.** The supervisor of banking shall compile  
16 community reinvestment evaluations required under RCW 30.60.010 and the  
17 federal community reinvestment act (12 U.S.C. Sec. 2901 et seq.). The  
18 supervisor shall summarize the results of the evaluations and make this  
19 information available to the public.

20 **Sec. 303.** RCW 30.60.030 and 1985 c 329 s 7 are each amended to  
21 read as follows:

22 (1) The supervisor of banking shall adopt all rules necessary to  
23 implement sections 2 through 6 (~~of this act~~), chapter 329, Laws of  
24 1985, by January 1, 1986.

25 (2) The supervisor of banking shall adopt all rules necessary to  
26 implement sections 301 and 302 of this act by January 1, 1994.

27 NEW SECTION. **Sec. 304.** (1) The supervisor of banking shall  
28 annually prepare and submit to the state treasurer a list of savings  
29 banks that have satisfied their continuing and affirmative obligations  
30 to help meet the credit needs of the applicant's entire community,  
31 including low and moderate-income neighborhoods. Only savings banks in  
32 such list shall be eligible to receive deposits of state funds under  
33 the provisions of chapter 43.86A RCW.

34 (2) The supervisor of banking shall also prepare and submit  
35 annually to the state treasurer a list, based on information received  
36 from the appropriate federal agency, that indicates those federal

1 savings and loan associations and national banking associations that  
2 have been determined by the office of thrift supervision, the federal  
3 deposit insurance corporation, the federal reserve bank, or the office  
4 of the comptroller of the currency to have complied with the  
5 requirements of the federal community reinvestment act (12 U.S.C. Sec.  
6 2901 et seq.), and any regulations promulgated in accordance with that  
7 act. Only those savings banks so listed shall be eligible to receive  
8 deposits of state funds under the provisions of chapter 43.86A RCW.

9 NEW SECTION. **Sec. 305.** The supervisor of banking shall compile  
10 community reinvestment evaluations required under RCW 32.40.010 and the  
11 federal community reinvestment act (12 U.S.C. Sec. 2901 et seq.). The  
12 supervisor shall summarize the results of the evaluations and make this  
13 information available to the public.

14 **Sec. 306.** RCW 32.40.030 and 1985 c 329 s 10 are each amended to  
15 read as follows:

16 (1) The supervisor of banking shall adopt all rules necessary to  
17 implement RCW 32.40.010 and 32.40.020 by January 1, 1986.

18 (2) The supervisor of banking shall adopt all rules necessary to  
19 implement sections 304 and 305 of this act by January 1, 1994.

20 NEW SECTION. **Sec. 307.** (1) The supervisor of savings and loans  
21 shall annually prepare and submit to the state treasurer a list of  
22 savings and loan associations that have satisfied their continuing and  
23 affirmative obligations to help meet the credit needs of the  
24 applicant's entire community, including low and moderate-income  
25 neighborhoods. Only savings and loan associations in such list shall  
26 be eligible to receive deposits of state funds under the provisions of  
27 chapter 43.86A RCW.

28 (2) The supervisor of savings and loans shall also prepare and  
29 submit annually to the state treasurer a list, based on information  
30 received from the appropriate federal agency, that indicates those  
31 federal savings and loan associations and national banking associations  
32 that have been determined by the office of thrift supervision, the  
33 federal deposit insurance corporation, the federal reserve bank, or the  
34 office of the comptroller of the currency to have complied with the  
35 requirements of the federal community reinvestment act (12 U.S.C. Sec.  
36 2901 et seq.), and any regulations promulgated in accordance with that

1 act. Only those savings and loan associations so listed shall be  
2 eligible to receive deposits of state funds under the provisions of  
3 chapter 43.86A RCW.

4 NEW SECTION. **Sec. 308.** The supervisor of banking shall compile  
5 community reinvestment evaluations required under the federal community  
6 reinvestment act (12 U.S.C. Sec. 2901 et seq.). The supervisor shall  
7 summarize the results of the evaluations and make this information  
8 available to the public.

9 NEW SECTION. **Sec. 309.** The supervisor of savings and loans shall  
10 adopt all rules necessary to implement sections 307 and 308 of this act  
11 by January 1, 1994.

12 **Subpart B - Linked Deposit Program**

13 NEW SECTION. **Sec. 310.** (1) The legislature finds that:

14 (a) There are parts of communities throughout the state that are  
15 experiencing economic stagnation or decline;

16 (b) The unemployment and underemployment in these areas threaten  
17 the safety, health, and welfare of residents of these areas, decreasing  
18 the value of private investment and jeopardizing the sources of public  
19 revenue; and

20 (c) The revitalization of these areas requires the development of  
21 new business ventures and the stimulation of private investment.

22 (2) The legislature declares that it is the intent of the linked  
23 deposit program to provide capital to promote community economic  
24 development and job creation in designated neighborhood reinvestment  
25 areas by authorizing the state treasurer to operate a program which  
26 links state deposits to business loans by financial institutions.

27 NEW SECTION. **Sec. 311.** (1) The state treasurer shall establish a  
28 linked deposit program for investments in certificates of deposit in  
29 Washington financial institutions. As a condition of participating in  
30 the program, financial institutions must make qualifying loans as  
31 provided in section 312 of this act. Each certificate of deposit  
32 purchased by the state treasurer shall be equal to the amount of the  
33 qualifying loan made by the financial institution. The state treasurer  
34 is authorized to set interest rates on certificates and on qualifying

1 loans consistent with the intent of sections 310 through 313 of this  
2 act and sound financial practices.

3 (2) Qualifying loans under the linked deposit program are those  
4 which:

5 (a) Are made in designated neighborhood reinvestment areas as  
6 defined in section 102 of this act;

7 (b) Are made to a small business with a majority of employees in  
8 the state; and

9 (c) Are consistent with other criteria set by the state treasurer.

10 (3) The state treasurer may reject any specific loan.

11 (4) In setting interest rates on certificates and loans, the state  
12 treasurer shall vary the rates so that preference in lending will be  
13 given to businesses that are engaged in manufacturing, export, or  
14 providing services for sale outside the state or that have innovative  
15 products or production processes. The treasurer may also vary the  
16 length of the terms of deposit.

17 NEW SECTION. **Sec. 312.** The state and those acting as its agents  
18 are not liable in any manner for payment of the principal or interest  
19 on qualifying loans under the linked deposit program. Any delay in  
20 payments or default on the part of the borrower does not in any manner  
21 affect the deposit agreement between the financial institution and the  
22 state treasurer.

23 NEW SECTION. **Sec. 313.** The state treasurer may use up to fifty  
24 million dollars per year of state funds for the linked deposit program.

25 **PART IV -- TARGETING OF STATE RESOURCES**

26 **Subpart A - Public Works Trust Fund**

27 NEW SECTION. **Sec. 401.** (1) For the period beginning July 1, 1994,  
28 and ending June 30, 2001, in those areas designated by the department  
29 of community development as neighborhood reinvestment areas under  
30 section 103 of this act, the public works board may award low-interest  
31 or interest-free loans to local governments for construction of new  
32 public works facilities that stimulate community economic development.

33 (2) For the purpose of sections 401 through 403 of this act, "local  
34 governments" means a city, town, or county.



1 (3) For the purpose of sections 401 through 403 of this act,  
2 "public facilities" means bridge, road and street, domestic water,  
3 sanitary sewer, and storm sewer systems.

4 (4) The loans may have a deferred payment of up to five years but  
5 shall be repaid within twenty years. The board may require other terms  
6 and conditions and may charge such rates of interest on its loans as it  
7 deems appropriate to carry out the purpose of this section. Repayments  
8 shall be made into the public works assistance account.

9 (5) The board may make loans irrespective of the annual loan cycle  
10 and reporting required in RCW 43.155.070.

11 (6) This section shall expire June 30, 2001.

12 NEW SECTION. **Sec. 402.** (1) As authorized in section 401 of this  
13 act, the board shall establish criteria for awarding loans to local  
14 governments including, but not limited to, the following:

15 (a) The local government must be imposing the tax authorized by  
16 chapter 82.46 RCW at a rate of at least one-quarter of one percent;

17 (b) The local government must have in place a capital improvement  
18 plan meeting the standards established by the board and an economic  
19 development plan meeting standards established by the department of  
20 community development;

21 (c) The proposed project must provide an opportunity to create or  
22 retain jobs within the designated neighborhood reinvestment area.  
23 Priority may be given to those projects that provide employment  
24 opportunities for residents of the neighborhood reinvestment area;

25 (d) The local government must provide reasonable assurances of its  
26 ability to repay the debt; and

27 (e) The local government must meet any additional guidelines and  
28 criteria established by the board for awarding loan funds.

29 (2) Existing debt or other financial obligations of the local  
30 government shall not be refinanced under sections 401 through 403 of  
31 this act.

32 (3) The board shall award loans only to those projects that meet  
33 the criteria and will fulfill the purpose of sections 401 through 403  
34 of this act. Any funds not obligated at the close of the biennium  
35 shall be returned to the public works assistance account.

36 (4) This section shall expire June 30, 2001.

1        NEW SECTION.    **Sec. 403.**    (1) The board shall provide to the office  
2 of financial management and the appropriate legislative committees an  
3 annual report, beginning January 15, 1995, on the loans awarded in  
4 neighborhood reinvestment areas.

5        (2) This section shall expire June 30, 2001.

6        NEW SECTION.    **Sec. 404.**    For the biennium ending June 30, 1995,  
7 there is hereby appropriated from the public works assistance account  
8 created in RCW 43.155.050 to the public works board four million  
9 dollars to be utilized by the board for the purposes of sections 401  
10 through 403 of this act.

11                    **Subpart B - Community Economic Development Assistance**

12        **Sec. 405.**    RCW 43.160.060 and 1990 1st ex.s. c 17 s 73 are each  
13 amended to read as follows:

14        The board is authorized to make direct loans to political  
15 subdivisions of the state for the purposes of assisting the political  
16 subdivisions in financing the cost of public facilities, including  
17 development of land and improvements for public facilities, as well as  
18 the acquisition, construction, rehabilitation, alteration, expansion,  
19 or improvement of the facilities. A grant may also be authorized for  
20 purposes designated in this chapter, but only when, and to the extent  
21 that, a loan is not reasonably possible, given the limited resources of  
22 the political subdivision.

23        Application for funds shall be made in the form and manner as the  
24 board may prescribe. In making grants or loans the board shall conform  
25 to the following requirements:

26        (1) The board shall not make a grant or loan:

27        (a) For a project the primary purpose of which is to facilitate or  
28 promote a retail shopping development or expansion.

29        (b) For any project that evidence exists would result in a  
30 development or expansion that would displace existing jobs in any other  
31 community in the state.

32        (c) For the acquisition of real property, including buildings and  
33 other fixtures which are a part of real property.

34        (2) The board shall only make grants or loans:

35        (a) For those projects which would result in specific private  
36 developments or expansions (i) in manufacturing, production, food

1 processing, assembly, warehousing, and industrial distribution; (ii)  
2 for processing recyclable materials or for facilities that support  
3 recycling, including processes not currently provided in the state,  
4 including but not limited to, de-inking facilities, mixed waste paper,  
5 plastics, yard waste, and problem-waste processing; (iii) for  
6 manufacturing facilities that rely significantly on recyclable  
7 materials, including but not limited to waste tires and mixed waste  
8 paper; (iv) which support the relocation of businesses from  
9 nondistressed urban areas to distressed rural areas; or (v) which  
10 substantially support the trading of goods or services outside of the  
11 state's borders.

12 (b) For projects which it finds will improve the opportunities for  
13 the successful maintenance, establishment, or expansion of industrial  
14 or commercial plants or will otherwise assist in the creation or  
15 retention of long-term economic opportunities.

16 (c) When the application includes convincing evidence that a  
17 specific private development or expansion is ready to occur and will  
18 occur only if the grant or loan is made.

19 (3) The board shall prioritize each proposed project according to  
20 the relative benefits provided to the community by the jobs the project  
21 would create, not just the total number of jobs it would create after  
22 the project is completed and according to the unemployment rate in the  
23 area in which the jobs would be located. As long as there is more  
24 demand for loans or grants than there are funds available for loans or  
25 grants, the board is instructed to fund projects in order of their  
26 priority. The board shall give special consideration to projects in  
27 designated neighborhood reinvestment areas approved under section 103  
28 of this act.

29 (4) A responsible official of the political subdivision shall be  
30 present during board deliberations and provide information that the  
31 board requests.

32 Before any loan or grant application is approved, the political  
33 subdivision seeking the loan or grant must demonstrate to the community  
34 economic revitalization board that no other timely source of funding is  
35 available to it at costs reasonably similar to financing available from  
36 the community economic revitalization board.

37 **Sec. 406.** RCW 43.165.010 and 1987 c 461 s 1 are each amended to  
38 read as follows:

1 Unless the context clearly requires to the contrary, the  
2 definitions in this section apply throughout this chapter.

3 (1) "Department" means the department of community development.

4 (2) "Director" means the director of the department.

5 (3) "Distressed area" means: (a) A county that has an unemployment  
6 rate that is twenty percent above the state-wide average for the  
7 previous three years; ~~((or))~~ (b) a community or area that has  
8 experienced sudden and severe or long-term and severe loss of  
9 employment, or erosion of its economic base due to decline of its  
10 dominant industries; ~~((or))~~ (c) a designated neighborhood reinvestment  
11 area approved under section 103 of this act; or (d) an area within a  
12 county which area: (i) Is composed of contiguous census tracts; (ii)  
13 has a minimum population of five thousand persons; (iii) has at least  
14 seventy percent of its families and unrelated individuals with incomes  
15 below eighty percent of the county's median income for families and  
16 unrelated individuals; and (iv) has an unemployment rate which is at  
17 least forty percent higher than the county's unemployment rate. For  
18 purposes of this definition, "families and unrelated individuals" has  
19 the same meaning that is ascribed to that term by the federal  
20 department of housing and urban development in its regulations  
21 authorizing action grants for economic development and neighborhood  
22 revitalization projects.

23 (4) "Economic development revolving loan funds" means a local, not-  
24 for-profit or governmentally sponsored business loan program.

25 (5) "Team" means the community revitalization team.

26 (6) "Technical assistance" includes, but is not limited to,  
27 assistance with strategic planning, market research, business plan  
28 development review, organization and management development, accounting  
29 and legal services, grant and loan packaging, and other assistance  
30 which may be expected to contribute to the redevelopment and economic  
31 well-being of a distressed area.

32 **Sec. 407.** RCW 43.168.020 and 1991 c 314 s 19 are each amended to  
33 read as follows:

34 Unless the context clearly requires otherwise, the definitions in  
35 this section apply throughout this chapter.

36 (1) "Committee" means the Washington state development loan fund  
37 committee.

38 (2) "Department" means the department of community development.

1 (3) "Director" means the director of the department of community  
2 development.

3 (4) "Distressed area" means: (a) A county which has an  
4 unemployment rate which is twenty percent above the state average for  
5 the immediately previous three years; (b) a metropolitan statistical  
6 area, as defined by the office of federal statistical policy and  
7 standards, United States department of commerce, in which the average  
8 level of unemployment for the calendar year immediately preceding the  
9 year in which an application is filed under this chapter exceeds the  
10 average state unemployment for such calendar year by twenty percent.  
11 Applications under this subsection (4)(b) shall be filed by April 30,  
12 1989; (c) an area within a county, which area: (i) Is composed of  
13 contiguous census tracts; (ii) has a minimum population of five  
14 thousand persons; (iii) has at least seventy percent of its families  
15 and unrelated individuals with incomes below eighty percent of the  
16 county's median income for families and unrelated individuals; and (iv)  
17 has an unemployment rate which is at least forty percent higher than  
18 the county's unemployment rate; ~~((or))~~ (d) a designated neighborhood  
19 reinvestment area approved under section 103 of this act; or (e) a  
20 county designated as a timber impact area under RCW 43.31.601 if an  
21 application is filed by July 1, 1993. For purposes of this definition,  
22 "families and unrelated individuals" has the same meaning that is  
23 ascribed to that term by the federal department of housing and urban  
24 development in its regulations authorizing action grants for economic  
25 development and neighborhood revitalization projects.

26 (5) "Fund" means the Washington state development loan fund.

27 (6) "Local development organization" means a nonprofit organization  
28 which is organized to operate within an area, demonstrates a commitment  
29 to a long-standing effort for an economic development program, and  
30 makes a demonstrable effort to assist in the employment of unemployed  
31 or underemployed residents in an area.

32 (7) "Project" means the establishment of a new or expanded business  
33 in an area which when completed will provide employment opportunities.  
34 "Project" also means the retention of an existing business in an area  
35 which when completed will provide employment opportunities.

36 NEW SECTION. Sec. 408. A new section is added to chapter 43.31  
37 RCW to read as follows:

1 The department shall coordinate its programs within the department  
2 and with other agencies to assist in the success of designated  
3 neighborhood reinvestment areas approved under section 103 of this act.

4 NEW SECTION. **Sec. 409.** A new section is added to chapter 43.63A  
5 RCW to read as follows:

6 The department shall coordinate its programs within the department  
7 and with other agencies to assist in the success of designated  
8 neighborhood reinvestment areas approved under section 103 of this act.

9 NEW SECTION. **Sec. 410.** A new section is added to chapter 50.08  
10 RCW to read as follows:

11 The department shall coordinate its programs within the department  
12 and with other agencies to assist in the success of designated  
13 neighborhood reinvestment areas approved under section 103 of this act.

14 **PART V -- EMPLOYMENT OF NEIGHBORHOOD RESIDENTS**

15 NEW SECTION. **Sec. 501.** A business receiving assistance under  
16 chapter . . . , Laws of 1993 (this act) shall seek to employ as many of  
17 its employees as possible from the designated neighborhood reinvestment  
18 area the assistance is related to, with a minimum goal of at least  
19 thirty percent of the employees from the respective designated  
20 neighborhood reinvestment area.

21 NEW SECTION. **Sec. 502.** The department shall require that local  
22 governments receiving financial assistance under chapter . . . , Laws  
23 of 1993 (this act) include a provision in their construction contracts  
24 for projects in neighborhood reinvestment areas, that require the  
25 contractor to increase outreach and recruitment efforts to employ as  
26 many of its employees as possible from the designated neighborhood  
27 reinvestment area the assistance is related to, with a minimum goal of  
28 thirty percent of the employees from the respective designated  
29 neighborhood reinvestment area.

30 **PART VI -- TECHNICAL PROVISIONS**

31 NEW SECTION. **Sec. 601.** (1) Sections 1, 101 through 104, 501, and  
32 502 of this act shall constitute a new chapter in Title 43 RCW.

1 (2) Sections 201 through 206 of this act are each added to chapter  
2 82.04 RCW.

3 (3) Sections 301 and 302 of this act are each added to chapter  
4 30.60 RCW.

5 (4) Sections 304 and 305 of this act are each added to chapter  
6 32.40 RCW.

7 (5) Sections 307 and 308 of this act are each added to chapter  
8 33.04 RCW.

9 (6) Sections 310 through 313 of this act are each added to chapter  
10 43.84 RCW.

11 (7) Sections 401 through 403 of this act are each added to chapter  
12 43.155 RCW.

13 NEW SECTION. **Sec. 602.** If any provision of this act or its  
14 application to any person or circumstance is held invalid, the  
15 remainder of the act or the application of the provision to other  
16 persons or circumstances is not affected.

17 NEW SECTION. **Sec. 603.** Part and subpart headings as used in this  
18 act constitute no part of the law.

19 NEW SECTION. **Sec. 604.** This act may be known and cited as the  
20 "neighborhood reinvestment act."

--- END ---