

CERTIFICATION OF ENROLLMENT

SUBSTITUTE HOUSE BILL 2460

Chapter 212, Laws of 2000

(partial veto)

56th Legislature
2000 Regular Session

COMMUNITY EMPOWERMENT ZONES

EFFECTIVE DATE: 6/8/00

Passed by the House March 9, 2000
Yeas 94 Nays 4

FRANK CHOPP
Speaker of the House of Representatives

CLYDE BALLARD
Speaker of the House of Representatives

Passed by the Senate March 9, 2000
Yeas 46 Nays 0

BRAD OWEN
President of the Senate

Approved March 30, 2000, with the
exception of section 13, which is
vetoed.

GARY LOCKE
Governor of the State of Washington

CERTIFICATE

We, Timothy A. Martin and Cynthia Zehnder, Co-Chief Clerks of the House of Representatives of the State of Washington, do hereby certify that the attached is **SUBSTITUTE HOUSE BILL 2460** as passed by the House of Representatives and the Senate on the dates hereon set forth.

TIMOTHY A. MARTIN
Chief Clerk

CYNTHIA ZEHNDER
Chief Clerk

FILED

March 30, 2000 - 2:15 p.m.

**Secretary of State
State of Washington**

SUBSTITUTE HOUSE BILL 2460

AS AMENDED BY THE SENATE

Passed Legislature - 2000 Regular Session

State of Washington

56th Legislature

2000 Regular Session

By House Committee on Appropriations (originally sponsored by Representatives Gombosky, D. Sommers, Veloria, Lovick, Kessler, Kenney, Conway, Ogden, Murray, Schual-Berke, Stensen, Edmonds, Santos, Lantz, Linville, Wood and Benson)

Read first time . Referred to Committee on .

1 AN ACT Relating to community empowerment zones; amending RCW
2 43.63A.700, 43.63A.710, and 82.60.049; adding a new chapter to Title 43
3 RCW; creating a new section; and recodifying RCW 43.63A.700 and
4 43.63A.710.

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

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

7 (a) There are geographic areas within communities that are
8 characterized by a lack of employment opportunities, an average income
9 level that is below the median income level for the surrounding
10 community, a lack of affordable housing, deteriorating infrastructure,
11 and a lack of facilities for community services, job training, and
12 education;

13 (b) Strategies to encourage reinvestment in these areas by
14 assisting local businesses to become stronger and area residents to
15 gain economic power involve a variety of activities and partnerships;

16 (c) Reinvestment in these areas cannot be accomplished with only
17 governmental resources and require a comprehensive approach that
18 integrates various incentives, programs, and initiatives to meet the
19 economic, physical, and social needs of the area;

1 (d) Successful reinvestment depends on a local government's ability
2 to coordinate public resources in a cohesive, comprehensive strategy
3 that is designed to leverage long-term private investment in an area;

4 (e) Reinvestment can strengthen the overall tax base through
5 increased tax revenue from expanded and new business activities and
6 physical property improvement;

7 (f) Local governments, in cooperation with area residents, can
8 provide leadership as well as planning and coordination of resources
9 and necessary supportive services to address reinvestment in the area;
10 and

11 (g) It is in the public interest to adopt a targeted approach to
12 revitalization and enlist the resources of all levels of government,
13 the private sector, community-based organizations, and community
14 residents to revitalize an area.

15 (2) The legislature declares that the purposes of the community
16 empowerment zone act are to:

17 (a) Encourage reinvestment through strong partnerships and
18 cooperation between all levels of government, community-based
19 organizations, area residents, and the private sector;

20 (b) Involve the private sector and stimulate private reinvestment
21 through the judicious use of public resources;

22 (c) Target governmental resources to those areas of greatest need;
23 and

24 (d) Include all levels of government, community individuals,
25 organizations, and the private sector in the policy-making process.

26 NEW SECTION. **Sec. 2.** The definitions in this section apply
27 throughout this chapter unless the context clearly requires otherwise:

28 (1) "Area" means a geographic area within a local government that
29 is described by a close perimeter boundary.

30 (2) "Community empowerment zone" means an area meeting the
31 requirements of RCW 43.63A.700 (as recodified by this act) and
32 officially designated by the director.

33 (3) "Department" means the department of community, trade, and
34 economic development.

35 (4) "Director" means the director of the department of community,
36 trade, and economic development.

37 (5) "Local government" means a city, code city, town, or county.

1 **Sec. 3.** RCW 43.63A.700 and 1994 sp.s. c 7 s 702 are each amended
2 to read as follows:

3 (1) The department, in cooperation with the department of revenue,
4 the employment security department, and the office of financial
5 management, ~~((shall))~~ may approve applications submitted by local
6 governments for an area's designation as a community empowerment zone
7 under this ~~((section))~~ chapter. The application for designation shall
8 be in the form and manner and contain such information as the
9 department may prescribe, provided that the application ~~((for~~
10 designation)) shall:

11 (a) Contain information sufficient for the director to determine if
12 the criteria established in RCW 43.63A.710 (as recodified by this act)
13 have been met~~((-))~~i

14 (b) Be submitted on behalf of the local government by its chief
15 elected official, or, if none, by the governing body of the local
16 government~~((-))~~i

17 (c) Contain a five-year community empowerment plan that ~~((describes~~
18 ~~the proposed designated community empowerment zone's community~~
19 ~~development needs and present a strategy for meeting those needs. The~~
20 ~~plan shall address the following categories: Housing needs; public~~
21 ~~infrastructure needs, such as transportation, water, sanitation,~~
22 ~~energy, and drainage/flood control; other public facilities needs, such~~
23 ~~as neighborhood facilities or facilities for provision of health,~~
24 ~~education, recreation, public safety, or other services; community~~
25 ~~economic development needs, such as commercial/industrial~~
26 ~~revitalization, job creation and retention considering the unemployment~~
27 ~~and underemployment of area residents, accessibility to financial~~
28 ~~resources by area residents and businesses, investment within the area,~~
29 ~~or other related components of community economic development; and~~
30 ~~social service needs.~~

31 The local government is required to provide a description of its
32 strategy for meeting the needs identified in this subsection (1)(c).
33 As part of the strategy, the local government is required to identify
34 the needs for which specific plans are currently in place and the
35 source of funds expected to be used. For the balance of the area's
36 needs, the local government must identify the source of funds expected
37 to become available during the next two year period and actions the
38 local government will take to acquire those funds.)) meets the
39 requirements of section 5 of this act; and

1 (d) Certify that ((neighborhood)) area residents were given the
2 opportunity to participate in the development of the five-year
3 community empowerment strategy required under ((~~(c)~~ of this
4 subsection)) section 5 of this act.

5 (2) No local government shall submit more than two
6 ((neighborhoods)) areas to the department for possible designation as
7 a ((designated)) community empowerment zone under this ((section))
8 chapter.

9 (3)(a) ((~~Within ninety days after January 1, 1994,~~) The director
10 may designate up to six ((designated)) community empowerment zones,
11 state-wide, from among the applications ((eligible)) submitted for
12 designation as a ((designated)) community empowerment zone.

13 (b) The director shall make determinations of designated community
14 empowerment zones on the basis of the following factors:

15 (i) The strength and quality of the local government commitments to
16 meet the needs identified in the five-year community empowerment plan
17 required under ((this)) section 5 of this act.

18 (ii) The level of private ((~~commitments by private entities~~))
19 sector commitment of additional resources and contribution to the
20 ((designated)) community empowerment zone.

21 (iii) The potential for revitalization of the area as a result of
22 designation as a ((designated)) community empowerment zone.

23 (iv) Other factors the director deems necessary.

24 (c) The determination of the director as to the areas designated as
25 community empowerment zones shall be final.

26 (4) Except as provided in section 6 of this act, an area that was
27 designated a community empowerment zone before January 1, 1996, under
28 this section, automatically and without additional action by the local
29 government continues its designation under this chapter.

30 (5) The department may not designate additional community
31 empowerment zones after January 1, 2004, but may amend or rescind
32 designation of community empowerment zones in accordance with section
33 6 of this act.

34 **Sec. 4.** RCW 43.63A.710 and 1994 sp.s. c 7 s 703 are each amended
35 to read as follows:

36 (1) The director may not designate an area as a ((designated))
37 community empowerment zone unless that area meets the following
38 requirements:

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

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

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

12 (d) A five-year community empowerment plan for the area that meets
13 the requirements of ((RCW 43.63A.700(1)(c) and as further defined by
14 the director)) section 5 of this act must be adopted.

15 (2) The director may establish, by rule, such other requirements as
16 the director may reasonably determine necessary and appropriate to
17 assure that the purposes of this ((section)) chapter are satisfied.

18 (3) In determining if an area meets the requirements of this
19 section, the director may consider data provided by the United States
20 bureau of the census from the most recent census or any other reliable
21 data that the director determines to be acceptable for the purposes for
22 which the data is used.

23 NEW SECTION. Sec. 5. (1) The five-year community empowerment plan
24 required under RCW 43.63A.700 (as recodified by this act) shall contain
25 information that describes the community development needs of the
26 proposed community empowerment zone and present a strategy for meeting
27 those needs. The plan shall address the following categories:

28 (a) Housing needs for all economic segments of the proposed
29 community empowerment zone;

30 (b) Public infrastructure needs, such as transportation, water,
31 sanitation, energy, and drainage and flood control;

32 (c) Other public facilities needs, such as neighborhood facilities
33 or facilities for the provision of health, education, recreation,
34 public safety, and other services;

35 (d) Community economic development needs, such as commercial and
36 industrial revitalization, job creation and retention considering the
37 unemployment and underemployment of area residents, accessibility to
38 financial resources by area residents and businesses, investment within

1 the area, and other related components of community economic
2 development; and

3 (e) Social service needs of residents in the proposed community
4 empowerment zone.

5 (2) The local government must provide a description of its strategy
6 for meeting the needs identified in subsection (1) of this section. As
7 part of the community empowerment zone strategy, the local government
8 must identify the needs for which specific plans are currently in place
9 and the source of funds expected to be used. For the balance of the
10 area's needs, the local government must identify the source of funds
11 expected to become available during the next two-year period and
12 actions the local government will take to acquire those funds.

13 (3) The local government must submit an annual progress report to
14 the department that details the extent to which the local government is
15 working to meet the needs identified in the five-year community
16 empowerment plan. If applicable, the progress report must also contain
17 a discussion on the impediments to meeting the needs outlined in the
18 five-year community empowerment plan. The department must determine
19 the date the annual progress reports are due from each local
20 government.

21 NEW SECTION. **Sec. 6.** (1) The terms or conditions of a community
22 empowerment zone approved under this chapter may be amended to:

23 (a) Alter the boundaries of the community empowerment zone; or

24 (b) Terminate the designation of a community empowerment zone.

25 (2)(a) A request for an amendment under subsection (1)(a) of this
26 section may not be in effect until the department issues an amended
27 designation for the community empowerment zone that approves the
28 requested amendment. The local government must promptly file with the
29 department a request for approval that contains information the
30 department deems necessary to evaluate the proposed changes and its
31 impact on the area's designation as a community empowerment zone under
32 RCW 43.63A.710 (as recodified by this act). The local government must
33 hold at least two public hearings on the proposed changes and include
34 the information in its request for an amendment to its community
35 empowerment zone.

36 (b) The department shall approve or disapprove a proposed amendment
37 to a community empowerment zone within sixty days of its receipt of a
38 request under subsection (1)(a) of this section. The department may

1 not approve changes to a community empowerment zone that are not in
2 conformity with this chapter.

3 (3)(a) The termination of an area's designation as a community
4 empowerment zone under subsection (1)(b) of this section is not
5 effective until the department issues a finding stating the reasons for
6 the termination, which may include lack of commitment of resources to
7 activities in the community empowerment zone by the public, private,
8 and community-based sectors. The local government may file an appeal
9 to the department's findings within sixty days of the notice to
10 terminate the area's designation. The department must notify the local
11 government of the results within thirty days of the filing of the
12 appeal.

13 (b) A termination of an area's designation as a community
14 empowerment zone has no effect on benefits previously extended to
15 individual businesses. The local government may not commit benefits to
16 a business after the effective date of the termination of an area's
17 designation as a community empowerment zone.

18 (4) The department may request applications from local governments
19 for designation as community empowerment zones under this chapter as a
20 result of a termination of an area's designation as a community
21 empowerment zone under this section.

22 NEW SECTION. **Sec. 7.** The department must administer this chapter
23 and has the following powers and duties:

24 (1) To monitor the implementation of chapter . . . , Laws of 2000
25 (this act) and submit reports evaluating the effectiveness of the
26 program and any suggestions for legislative changes to the governor and
27 legislature by December 1, 2000;

28 (2) To develop evaluation and performance measures for local
29 governments to measure the effectiveness of the program at the local
30 level on meeting the objectives of this chapter;

31 (3) To provide information and appropriate assistance to persons
32 desiring to locate and operate a business in a community empowerment
33 zone;

34 (4) To work with appropriate state agencies to coordinate the
35 delivery of programs, including but not limited to housing, community
36 and economic development, small business assistance, social service,
37 and employment and training programs which are carried on in a
38 community empowerment zone; and

1 (5) To develop rules necessary for the administration of this
2 chapter.

3 NEW SECTION. **Sec. 8.** The administration of a community
4 empowerment zone is under the jurisdiction of the local government.
5 Each local government must, by ordinance, designate a community
6 empowerment zone administrator for the area designated as a community
7 empowerment zone that is within its jurisdiction. A community
8 empowerment zone administrator must be an officer or employee of the
9 local government. The community empowerment zone administrator is the
10 liaison between the local government, the department, the business
11 community, and labor and community-based organizations within the
12 community empowerment zone.

13 NEW SECTION. **Sec. 9.** This chapter may be known and cited as the
14 Washington community empowerment zone act.

15 NEW SECTION. **Sec. 10.** Sections 1, 2, and 5 through 9 of this act
16 constitute a new chapter in Title 43 RCW.

17 NEW SECTION. **Sec. 11.** RCW 43.63A.700 and 43.63A.710, as amended
18 by this act, are each recodified as sections in chapter 43.-- RCW
19 (sections 1, 2, and 5 through 9 of this act).

20 NEW SECTION. **Sec. 12.** If any part of this act is found to be in
21 conflict with federal requirements that are a prescribed condition to
22 the allocation of federal funds to the state, the conflicting part of
23 this act is inoperative solely to the extent of the conflict and with
24 respect to the agencies directly affected, and this finding does not
25 affect the operation of the remainder of this act in its application to
26 the agencies concerned. Rules adopted under this act must meet federal
27 requirements that are a necessary condition to the receipt of federal
28 funds by the state.

29 **Sec. 13. RCW 82.60.049 and 1999 c 164 s 304 are each amended to*
30 *read as follows:*

31 *(1) For the purposes of this section:*

32 *(a) "Eligible area" also means a designated community empowerment*
33 *zone approved before January 1, 2000, under RCW 43.63A.700 or a county*

1 containing a community empowerment zone approved before January 1,
2 2000.

3 (b) "Eligible investment project" also means an investment project
4 in an eligible area as defined in this section.

5 (2) In addition to the provisions of RCW 82.60.040, the department
6 shall issue a sales and use tax deferral certificate for state and
7 local sales and use taxes due under chapters 82.08, 82.12, and 82.14
8 RCW, on each eligible investment project that is located in an eligible
9 area, if the applicant establishes that at the time the project is
10 operationally complete:

11 (a) The applicant will hire at least one qualified employment
12 position for each seven hundred fifty thousand dollars of investment on
13 which a deferral is requested; and

14 (b) The positions will be filled by persons who at the time of hire
15 are residents of the community empowerment zone in which the project is
16 located. As used in this subsection, "resident" means the person makes
17 his or her home in the community empowerment zone. A mailing address
18 alone is insufficient to establish that a person is a resident for the
19 purposes of this section. The persons must be hired after the date the
20 application is filed with the department.

21 (3) All other provisions and eligibility requirements of this
22 chapter apply to applicants eligible under this section.

23 (4) If a person does not meet the requirements of this section by
24 the end of the calendar year following the year in which the project is
25 certified as operationally complete, all deferred taxes are immediately
26 due.

27 *Sec. 13 was vetoed. See message at end of chapter.

28 NEW SECTION. **Sec. 14.** If any provision of this act or its
29 application to any person or circumstance is held invalid, the
30 remainder of the act or the application of the provision to other
31 persons or circumstances is not affected.

Passed the House March 9, 2000.

Passed the Senate March 9, 2000.

Approved by the Governor March 30, 2000, with the exception of
certain items that were vetoed.

Filed in Office of Secretary of State March 30, 2000.

1 Note: Governor's explanation of partial veto is as follows:

2 "I am returning herewith, without my approval as to section 13,
3 Substitute House Bill No. 2460 entitled:

1 "AN ACT Relating to community empowerment zones;"

2 This legislation will open the Community Empowerment Zone (CEZ)
3 application process, so that a new zone may be designated. Businesses
4 located in the zone will be eligible for tax exemptions, helping to
5 strengthen the economy in a distressed area of our state.

6 Section 13 of this bill would have amended the original law so that
7 the new CEZ would be treated differently, and not be eligible to offer
8 the sales and use tax exemptions available to all other CEZ's. The new
9 zone would be able to provide only business and occupations tax
10 exemptions, thereby greatly reducing its effectiveness.

11 I fully support the bill's provisions to open the application
12 process, particularly now that we have renewed interest from the
13 eastern part of our state. I want to give these communities a chance
14 to apply for a CEZ designation that will be on an equal footing with
15 the existing zones.

16 For these reasons, I have vetoed section 13 of Substitute House
17 Bill No. 2460.

18 With the exception of section 13, Substitute House Bill No. 2460 is
19 approved."