

E2SHB 3115 - S COMM AMD

By Committee on Economic Development, Trade & Management

1 Strike everything after the enacting clause and insert the
2 following:

3 "Sec. 1. RCW 43.176.010 and 2004 c 237 s 1 are each amended to
4 read as follows:

5 (1) It is hereby declared to be the policy of the state of
6 Washington to assist in the creation and expansion of innovative small
7 commercial enterprises that produce marketable goods and services
8 through the employment of Washington residents, the use of technology,
9 and the application of best management practices. This policy is to be
10 implemented through the use of small business incubators.

11 (2) The purpose of small business incubators is to provide
12 comprehensive business assistance to start-up and early-stage firms in
13 order to improve their chances of growing into healthy, sustainable
14 companies. The legislature finds that companies that graduate from
15 incubators create jobs, revitalize neighborhoods, and commercialize new
16 technologies, thus strengthening local and regional economies.

17 **Sec. 2.** RCW 43.176.020 and 2004 c 237 s 2 are each amended to read
18 as follows:

19 The definitions in this section apply throughout this chapter
20 unless the context clearly requires otherwise.

21 (1) "Business incubator" means a facility (~~(that offers:~~
22 ~~(a) Space for start-up and expanding firms;~~
23 ~~(b) The shared use of equipment and work areas;~~
24 ~~(c) Daily management support services essential to high-quality~~
25 ~~commercial operations;~~ and
26 ~~(d) Technical assistance)) or program that provides, on an on-going
27 basis, business-related training, services, and technical assistance to
28 businesses that are less than five years old and have ten or fewer
29 employees at the time of admission to the facility or program.~~

1 (2) "Department" means the department of community, trade, and
2 economic development.

3 (3) "Economically distressed or disadvantaged area" means: (a) A
4 county that has an unemployment rate that is twenty percent above the
5 state average for the immediately previous three years; or (b) an area
6 that the department determines to be a low-income community, using as
7 guidance the low-income community designations under the community
8 development financial institutions fund's new markets tax credit
9 program under Title 26 U.S.C. Sec. 45(D) of the internal revenue code.

10 (4) "Qualified small business incubator" means an incubator that
11 is:

12 (a)(i) Designated as a nonprofit organization under (~~section~~)
13 Title 26 U.S.C. Sec. 501(c)(3) or Sec. 501(c)(6) of the internal
14 revenue code, or (ii) consists of a partnership between a designated
15 nonprofit organization under (~~section~~) Title 26 U.S.C. Sec. 501(c)(3)
16 or Sec. 501(c)(6) of the internal revenue code and a government or
17 quasi-government agency;

18 (b) Focused on developing small businesses in an economically
19 distressed or disadvantaged area; (~~and~~)

20 (c) Structured around a sound business plan; and

21 (d) Certified under section 3 of this act.

22 NEW SECTION. Sec. 3. A new section is added to chapter 43.176 RCW
23 to read as follows:

24 CERTIFICATION. (1) The department must develop a certification
25 program for small business incubators. At a minimum, the program must
26 require that: (a) An incubator meets the statutory definition of a
27 qualified small business incubator in RCW 43.176.020; and (b) an
28 incubator work with each client business to develop a graduation plan
29 at the time the business is admitted to the facility or program, and
30 that the graduation plan be reviewed and updated annually. The
31 department must develop additional criteria for certification and when
32 developing such criteria will consult with the Washington association
33 of small business incubators and the national business incubator
34 association.

35 (2) In order to qualify for any funding from the department, a
36 business incubator must at a minimum be certified under this section.

37 (3) Certification must be renewed every five years.

1 (4) Failure to meet the annual reporting requirements under section
2 5 of this act automatically revokes a small business incubator's
3 certification under this section.

4 NEW SECTION. **Sec. 4.** A new section is added to chapter 43.176 RCW
5 to read as follows:

6 ACCOUNTABILITY. All certified small business incubators are
7 required annually to collect data for each client business. The
8 collection of data must continue for at least five years after the
9 client business stops receiving services from the certified small
10 business incubator or the client business moves out the certified small
11 business incubator facility. Client and certified small business
12 incubator data must be submitted to the department by March 31st
13 annually and include:

14 (1) Identification of the incubator's sponsors and the amount and
15 source of their contributions;

16 (2) The number of current clients of the certified small business
17 incubator;

18 (3) The industry and type of business for each client and graduate
19 business;

20 (4) The total number of graduates of the certified small business
21 incubator since its founding;

22 (5) The number of graduate firms still in business or that have
23 been merged or acquired;

24 (6) The number of people currently employed full time by client and
25 graduate firms;

26 (7) The number of people currently employed part time by client and
27 graduate firms;

28 (8) Current monthly salaries and wages paid by client and graduate
29 firms;

30 (9) Gross revenues for the most recent full year for client and
31 graduate firms;

32 (10) The dollar amount of debt capital raised in the most recent
33 year by client and graduate firms;

34 (11) The dollar amount of equity capital raised in the most recent
35 year by client and graduate firms;

36 (12) The dollar amount of grant funds raised in the most recent
37 full year by client and graduate firms;

- 1 (13) The total number of new jobs created in the last year by
2 client and graduate firms;
- 3 (14) The percent of jobs created by client and graduate firms above
4 the county minimum wage;
- 5 (15) The percent of graduates still in business;
- 6 (16) The number of graduates in the last three years;
- 7 (17) The income of certified small business incubator clients;
- 8 (18) The amount of taxes paid by small business incubator clients;
- 9 and
- 10 (19) The number of small business incubator clients owned by
11 minorities or women.

12 NEW SECTION. **Sec. 5.** A new section is added to chapter 43.176 RCW
13 to read as follows:

14 REPORTING. Utilizing the data collected under section 4 of this
15 act, the department is required to submit a biennial report to the
16 legislature and the Washington economic development commission by
17 September 1st of each even-numbered year, beginning in 2010, regarding
18 the performance of certified small business incubators.

19 NEW SECTION. **Sec. 6.** A new section is added to chapter 43.176 RCW
20 to read as follows:

21 PROPERTY TAX EXEMPTION. (1) The real and personal property owned
22 and used exclusively by a qualified small business incubator is exempt
23 from property tax to the extent provided in section 7 of this act.
24 (2) The definitions in RCW 43.176.020 apply to this section.

25 NEW SECTION. **Sec. 7.** A new section is added to chapter 84.36 RCW
26 to read as follows:

27 (1) The real and personal property owned and used exclusively by a
28 qualified small business incubator is exempt from property tax to the
29 extent the business incubator provides, on an ongoing basis, business-
30 related training designed to assist new businesses in forming a sound
31 business plan, daily management support services, and general technical
32 assistance. This exemption includes areas of the real property used by
33 the qualified small business incubator for administrative offices,
34 common areas of buildings, and meeting or training rooms, as well as

1 parking spaces reserved for administrative staff that are under the
2 direct control and supervision of the business incubator and for which
3 no rent or fee for use is charged to client businesses.

4 (2) To qualify for the exemption under subsection (1) of this
5 section, a qualified small business incubator must:

6 (a) Apply for the Washington state quality award; and

7 (b) Reapply for the Washington state quality award at least once
8 every three years thereafter.

9 (3) The definitions in RCW 43.176.020 apply to this section.

10 **Sec. 8.** RCW 84.36.810 and 2006 c 305 s 4 are each amended to read
11 as follows:

12 (1)(a) Upon cessation of a use under which an exemption has been
13 granted pursuant to RCW 84.36.030, 84.36.037, 84.36.040, 84.36.041,
14 84.36.042, 84.36.043, 84.36.046, 84.36.050, 84.36.060, 84.36.550,
15 84.36.560, 84.36.570, (~~and~~) 84.36.650, and section 7 of this act,
16 except as provided in (b) of this subsection, the county treasurer
17 shall collect all taxes which would have been paid had the property not
18 been exempt during the three years preceding, or the life of such
19 exemption, if such be less, together with the interest at the same rate
20 and computed in the same way as that upon delinquent property taxes.
21 If the property has been granted an exemption for more than ten
22 consecutive years, taxes and interest shall not be assessed under this
23 section.

24 (b) Upon cessation of use by an institution of higher education of
25 property exempt under RCW 84.36.050(2) the county treasurer shall
26 collect all taxes which would have been paid had the property not been
27 exempt during the seven years preceding, or the life of the exemption,
28 whichever is less.

29 (2) Subsection (1) of this section applies only when ownership of
30 the property is transferred or when fifty-one percent or more of the
31 area of the property loses its exempt status. The additional tax under
32 subsection (1) of this section shall not be imposed if the cessation of
33 use resulted solely from:

34 (a) Transfer to a nonprofit organization, association, or
35 corporation for a use which also qualifies and is granted exemption
36 under this chapter;

1 (b) A taking through the exercise of the power of eminent domain,
2 or sale or transfer to an entity having the power of eminent domain in
3 anticipation of the exercise of such power;

4 (c) Official action by an agency of the state of Washington or by
5 the county or city within which the property is located which disallows
6 the present use of such property;

7 (d) A natural disaster such as a flood, windstorm, earthquake, or
8 other such calamity rather than by virtue of the act of the
9 organization, association, or corporation changing the use of such
10 property;

11 (e) Relocation of the activity and use of another location or site
12 except for undeveloped properties of camp facilities exempted under RCW
13 84.36.030;

14 (f) Cancellation of a lease on leased property that had been exempt
15 under this chapter;

16 (g) A change in the exempt portion of a home for the aging under
17 RCW 84.36.041(3), as long as some portion of the home remains exempt;
18 or

19 (h) Transfer to an agency of the state of Washington or the city or
20 county within which the property is located.

21 (3) Subsection (2)(e) and (f) of this section (~~do~~~~es~~) does
22 not apply to property leased to a state institution of higher education
23 and exempt under RCW 84.36.050(2).

24 NEW SECTION. **Sec. 9.** Captions used in sections 3 through 6 of
25 this act are not any part of the law.

26 NEW SECTION. **Sec. 10.** If specific funding for the purposes of
27 this act, referencing this act by bill or chapter number, is not
28 provided by June 30, 2008, in the omnibus appropriations act, this act
29 is null and void."

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1 On page 1, line 1 of the title, after "incubators;" strike the
2 remainder of the title and insert "amending RCW 43.176.010, 43.176.020,
3 and 84.36.810; adding new sections to chapter 43.176 RCW; adding a new
4 section to chapter 84.36 RCW; and creating new sections."

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