
SUBSTITUTE HOUSE BILL 1909

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1993 Regular Session

By House Committee on Trade, Economic Development & Housing (originally sponsored by Representatives Wineberry, Brough, Mielke, Long, Edmondson, Valle, Tate, Rayburn, Ballard, Miller, Cooke and Forner)

Read first time 03/03/93.

1 AN ACT Relating to enterprise zones; amending RCW 43.155.070,
2 43.160.060, 43.168.050, 82.60.050, 82.61.040, 82.62.040, 82.60.020,
3 82.61.010, 82.61.070, and 82.62.010; adding a new section to chapter
4 82.04 RCW; adding new sections to chapter 43.31 RCW; adding a new
5 section to chapter 43.63A RCW; adding a new section to chapter 50.08
6 RCW; adding a new chapter to Title 43 RCW; and creating a new section.

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

8 NEW SECTION. **Sec. 1.** The legislature finds that there are areas
9 in the state that are characterized by very high levels of unemployment
10 and poverty. Poverty and high unemployment levels negatively impact
11 the health, safety, and welfare of the general public, particularly
12 those persons residing in areas of high unemployment and poverty. The
13 legislature finds that it is an important public purpose to stimulate
14 the economy and create employment opportunities in areas with high
15 unemployment and poverty. This act provides for the establishment of
16 enterprise zones to stimulate the economy in these areas.

1 NEW SECTION. **Sec. 2.** Unless the context clearly requires
2 otherwise, the definitions in this section apply throughout this
3 chapter.

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

5 (2) "Enterprise zone" means an area of the state certified by the
6 department as an enterprise zone under this chapter.

7 (3) "Depressed area" means an area in which pervasive poverty,
8 unemployment, and economic distress exist.

9 (4) "Designated zone organization" means an association or entity:

10 (a) The members of which are substantially all residents of the
11 enterprise zone.

12 (b) The board of directors of which is elected by the members of
13 the organization.

14 (c) Which satisfies the criteria set forth in section 501(c)(3) of
15 the Internal Revenue Code.

16 (d) Which exists primarily for the purpose of performing within the
17 area or zone for the benefit of the residents and businesses thereof
18 any of the functions set forth in this chapter.

19 (5) "Agency" means each officer, board, commission, and agency
20 created by the Constitution, in the executive branch of state
21 government, other than an election board, each officer, department,
22 board, commission, agency, institution, authority, university, body
23 politic and corporate of the state, and each administrative unit or
24 corporate outgrowth of the state government that is created by or
25 pursuant to statute, other than units of local government and their
26 officers and school districts, and each administrative unit or
27 corporate outgrowth of the entities listed in this subsection and as
28 may be created by executive order of the governor. No entity shall be
29 considered an "agency" for the purposes of this chapter unless
30 authorized by law to make rules and regulations.

31 (6) "Rule" means each agency statement of general applicability
32 that implements, applies, interprets, or prescribes law or policy, but
33 does not include:

34 (a) Statements concerning only the internal management of an agency
35 and not affecting private rights or procedures available to persons or
36 entities outside the agency;

37 (b) Intra-agency memoranda; or

38 (c) The prescription of standardized forms.

1 NEW SECTION. **Sec. 3.** An area is qualified to become an enterprise
2 zone when it:

3 (1) Is a contiguous area, provided that a zone area may exclude
4 wholly surrounded territory within its boundaries.

5 (2) Comprises a minimum of one-half square mile and not more than
6 ten square miles in total area, exclusive of lakes and waterways.

7 (3) Is a depressed area.

8 (4) Satisfies additional criteria established by rule of the
9 department consistent with the purposes of this chapter.

10 (5) Is entirely within a municipality or entirely within the
11 unincorporated areas of a county, except where reasonable need is
12 established for the zone to cover portions of more than one
13 municipality or county.

14 NEW SECTION. **Sec. 4.** (1) No area may be designated as an
15 enterprise zone except pursuant to an initiating ordinance adopted in
16 accordance with this section.

17 (2) A county or municipality may by ordinance designate an area
18 within its jurisdiction as an enterprise zone, subject to the
19 certification of the department in accordance with this chapter, if:

20 (a) The area is qualified in accordance with section 3 of this act.

21 (b) The county or municipality has conducted at least one public
22 hearing within the proposed zone area on the question of whether to
23 create the zone, what local plans, tax incentives, and other programs
24 should be established in connection with the zone, and what the
25 boundaries of the zone should be. Public notice of the hearing shall
26 be provided.

27 (c) An ordinance designating an area as an enterprise zone shall
28 set forth:

29 (i) A precise description of the area comprising the zone, either
30 in the form of a legal description or by reference to roadways, lakes
31 and waterways, and township county boundaries.

32 (ii) A finding that the zone area meets the qualifications of
33 section 3 of this act.

34 (iii) Provisions for tax incentives or reimbursement for taxes,
35 that pursuant to state and federal law apply to business enterprises
36 within the zone at the election of the designating county or
37 municipality, and that are not applicable throughout the county or
38 municipality.

1 (iv) A designation of the area as an enterprise zone, subject to
2 the approval of the department in accordance with this chapter.

3 (v) The duration or term of the enterprise zone.

4 (4) This section does not prohibit a municipality or county from
5 extending additional tax incentives or reimbursement for business
6 enterprises in enterprise zones or throughout their territory by
7 separate ordinance.

8 NEW SECTION. **Sec. 5.** A county or municipality that has adopted an
9 ordinance designating an area as an enterprise zone shall make written
10 application to the department to have the proposed enterprise zone
11 certified by the department as an enterprise zone. The application
12 shall include:

13 (1) A certified copy of the ordinance designating the proposed
14 zone.

15 (2) A map of the proposed enterprise zone, showing existing streets
16 and highways.

17 (3) An analysis, and appropriate supporting documents and
18 statistics, demonstrating that the proposed zone area is qualified in
19 accordance with section 3 of this act.

20 (4) A statement detailing any tax, grant, and other financial
21 incentives or benefits, and any programs, to be provided by the
22 municipality or county to business enterprises within the zone, other
23 than those provided in the designating ordinance, that are not to be
24 provided throughout the municipality or county.

25 (5) A statement setting forth the economic development and
26 planning objectives for the zone.

27 (6) A statement describing the functions, programs, and services to
28 be performed by designated zone organizations within the zone.

29 (7) An estimate of the economic impact of the zone, considering all
30 of the tax incentives, financial benefits, and programs contemplated,
31 upon the revenues of the municipality or county.

32 (8) A summary of all public hearings on establishing the zone.

33 (9) In the case of a joint application, a statement detailing the
34 need for a zone covering portions or more than one municipality or
35 county and a description of the agreement between joint applicants.

36 (10) Additional information as the department by rule may require.

1 NEW SECTION.

2 **Sec. 6.**

3 (1) All applications that are to be
4 considered and acted upon by the department during a calendar year must
5 be received by the department no later than December 31st of the
6 preceding calendar year.

7 An application received on or after January 1st of a calendar year
8 shall be held by the department for consideration and action during the
9 following calendar year.

10 (2) Upon receipt of an application from a county or municipality
11 the department shall review the application to determine whether the
12 designated area qualifies as an enterprise zone under section 3 of this
13 act.

14 (3) No later than May 1st, the department shall notify all
15 applicant municipalities and counties of the department's determination
16 of the qualification of their respective designated enterprise zone
17 areas.

18 (4) If a designated area is found to be qualified to be an
19 enterprise zone, the department shall, no later than May 15th, publish
20 a notice in at least one newspaper of general circulation within the
21 proposed zone area to notify the general public of the application and
22 their opportunity to comment. The notice shall include a description
23 of the area and a brief summary of the application and shall indicate
24 locations where the applicant has provided copies of the application
25 for public inspection. The notice shall also indicate appropriate
26 procedures for the filing of written comments from zone residents,
27 business, civic, and other organizations and property owners to the
28 department.

29 (5) By July 1st of each calendar year, the department shall either
30 approve or deny all applications filed by December 31st of the
31 preceding calendar year. If approval of an application filed by
32 December 31st of any calendar year is not received by July 1st of the
33 following calendar year, the application shall be considered denied.
34 If an application is denied, the department shall inform the county or
35 municipality of the specific reasons for the denial.

36 (6) In determining which designated areas shall be approved and
37 certified as enterprise zones, the department shall give preference to:

38 (a) Areas with high levels of poverty, unemployment, job and
39 population loss, and general distress.

 (b) Areas which have evidenced wide support from the county or
 municipality seeking to have the areas designated as enterprise zones,

1 by community residents, local business, labor, and neighborhood
2 organizations and where there are plans for the disposal of publicly
3 owned real property.

4 (c) Areas for which a specific plan has been submitted to effect
5 economic growth and expansion and neighborhood revitalization for the
6 benefit of zone residents and existing business through efforts that
7 may include but need not be limited to a reduction of tax rates or
8 fees, an increase in the level and efficiency of local services, and a
9 simplification or streamlining of governmental requirements applicable
10 to employers or employees, taking into account the resources available
11 to the county or municipality seeking to have an area designated as an
12 enterprise zone to make the efforts.

13 (d) Areas for which there is evidence of prior consultation between
14 the county or municipality seeking designation of an area as an
15 enterprise zone and business, labor, and neighborhood organizations
16 within the proposed zone.

17 (e) Areas for which a specific plan has been submitted that will or
18 may be expected to benefit zone residents and workers by increasing
19 their ownership opportunities and participation in enterprise zone
20 development.

21 (f) Areas in which specific governmental functions are to be
22 performed by designated neighborhood organizations in partnership with
23 the county or municipality seeking designation of an area as an
24 enterprise zone.

25 (7) The department's determination of whether to certify an
26 enterprise zone shall be based on the purposes of this chapter, the
27 criteria set forth in section 3 of this act and subsection (6) of this
28 section and additional criteria adopted by rule of the department under
29 section 3(4) of this act.

30 NEW SECTION. **Sec. 7.** (1) Approval of designated enterprise zones
31 shall be made by the department by certification of the designating
32 ordinance. The department shall promptly issue a certificate for each
33 enterprise zone upon its approval. The certificate shall be signed by
34 the director of the department, shall make specific reference to the
35 designating ordinance, which shall be attached thereto, and shall be
36 filed in the office of the secretary of state. A certified copy of the
37 enterprise zone certificate, or a duplicate original thereof, shall be

1 recorded in the office of recorder of deeds of the county in which the
2 enterprise zone lies.

3 (2) An enterprise zone shall be effective upon its certification.
4 The department shall transmit a copy of the certification to the
5 secretary of state and to the appropriate municipality or county.

6 Upon certification of an enterprise zone, the terms and provisions
7 of the designating ordinance shall be in effect, and may not be amended
8 or repealed except in accordance with section 8 of this act.

9 (3) An enterprise zone shall be in effect for twenty calendar
10 years, or for a lesser number of years specified in the certified
11 designating ordinance. Enterprise zones shall terminate at midnight of
12 December 31st of the final calendar year of the certified term, except
13 as provided in section 8 of this act.

14 (4) No more than ten enterprise zones may be certified by the
15 department. The department may not certify more than two enterprise
16 zones within the same county, whether within municipalities or within
17 unincorporated territory. The department may certify enterprise zones
18 in each of the three calendar years commencing with 1993. Thereafter,
19 the department may not certify additional enterprise zones, but may
20 amend and rescind certification of existing enterprise zones in
21 accordance with section 8 of this act.

22 NEW SECTION. Sec. 8. (1) The terms of a certified enterprise zone
23 designating ordinance may be amended to:

24 (a) Alter the boundaries of the enterprise zone; or

25 (b) Limit or repeal tax incentives or benefits provided in the
26 ordinance; or

27 (c) Alter the termination date of the zone, but the amendment shall
28 not be effective unless the department issues an amended certificate
29 for the enterprise zone, approving the amended designating ordinance.
30 Upon the adoption of an ordinance amending or repealing the terms of a
31 certified enterprise zone designating ordinance, the municipality or
32 county shall promptly file with the department an application for
33 approval thereof, containing substantially the same information as
34 required for an application under section 5 of this act insofar as
35 material to the proposed changes. The municipality or county must hold
36 a public hearing on the proposed changes as specified in section 4 of
37 this act.

1 (2) The department shall approve or disapprove a proposed amendment
2 to a certified enterprise zone within ninety days of its receipt of the
3 application from the municipality or county. The department may not
4 approve changes in a zone that are not in conformity with this chapter,
5 or with other applicable laws. If the department issues an amended
6 certificate for an enterprise zone, the amended certificate, together
7 with the amended zone designating ordinance, shall be filed, recorded,
8 and transmitted as provided in section 7 of this act.

9 (3) An enterprise zone may be decertified by joint action of the
10 department and the designating county or municipality in accordance
11 with this section. The designating county or municipality shall
12 conduct at least one public hearing within the zone prior to its
13 adoption of an ordinance of dedesignation. The mayor of the
14 designating municipality or the chair of the county board of the
15 designating county shall execute a joint decertification agreement with
16 the department. A decertification of an enterprise zone shall not
17 become effective until at least six months after the execution of the
18 decertification agreement, which shall be filed in the office of the
19 secretary of state.

20 (4) In the event of a decertification, or an amendment reducing the
21 length of the term or the area of an enterprise zone or the adoption of
22 an ordinance reducing or eliminating tax benefits in an enterprise
23 zone, all benefits previously extended within the zone pursuant to this
24 chapter providing benefits specifically to or within enterprise zones
25 shall remain in effect for the original stated term of the enterprise
26 zone, with respect to business enterprises within the zone on the
27 effective date of the decertification or amendment, and with respect to
28 individuals participating in urban homestead programs under this
29 chapter.

30 (5) With respect to business enterprises or expansions thereof,
31 that are proposed or under development within a zone at the time of a
32 decertification or an amendment reducing the length of the term of the
33 zone, or excluding from the zone area the site of the proposed
34 enterprise, or an ordinance reducing or eliminating tax benefits in a
35 zone, the business enterprise shall be entitled to the benefits
36 previously applicable within the zone for the original stated term of
37 the zone, if the business enterprise establishes:

38 (a) That the proposed business enterprise or expansion has been
39 committed to be located within the zone.

1 (b) That substantial and binding financial obligations have been
2 made towards the development of the enterprise.

3 (c) That the commitments have been made in reasonable reliance on
4 the benefits and programs that were to have been applicable to the
5 enterprise by reason of the zone, including in the case of a reduction
6 in term of a zone, the original length of the term.

7 In declaratory judgment actions under this subsection, the
8 department and the designating municipality or county shall be
9 necessary parties defendant.

10 NEW SECTION. **Sec. 9.** (1) The department shall administer this
11 chapter and shall have the following powers and duties:

12 (a) To monitor the implementation of this chapter and submit annual
13 reports evaluating the effectiveness of the program and suggestions
14 for legislation to the governor and legislature by December 1st
15 including initial and current population, employment, per capita
16 income, corporate income, and housing start figures for each enterprise
17 zone.

18 (b) To adopt all necessary rules to carry out the purposes of this
19 chapter.

20 (c) To assist municipalities and counties in obtaining federal
21 status as an enterprise zone.

22 (2) Specific duties include:

23 (a) The department shall provide information and appropriate
24 assistance to persons desiring to locate and engage in business in an
25 enterprise zone, to persons engaged in business in an enterprise zone,
26 and to designated zone organizations operating there.

27 (b) The department shall, in cooperation with appropriate units of
28 local government and state agencies, coordinate and streamline existing
29 state business assistance programs and permit and license application
30 procedures for enterprise zone businesses.

31 (c) The department shall publicize existing tax incentives and
32 economic development programs within the zone and upon request, offer
33 technical assistance in abatement and alternative revenue source
34 development to local units of government which have enterprise zones
35 within their jurisdiction.

36 (d) The department shall work together with the responsible state
37 and federal agencies to promote the coordination of other relevant
38 programs, including but not limited to housing, community and economic

1 development, small business, banking, financial assistance, and
2 employment training programs which are carried on in an enterprise
3 zone.

4 (e) In order to stimulate employment opportunities for zone
5 residents, the department, in cooperation with the department of social
6 and health services and the employment security department, is to
7 initiate a test of the following two programs within the twelve-month
8 period following designation and approval by the department of the
9 first enterprise zones:

10 (i) The use of aid to families with dependent children benefits,
11 general assistance benefits, the unemployment insurance benefits as
12 training or employment subsidies leading to unsubsidized employment.

13 (ii) A program for voucher reimbursement of the cost of training
14 zone residents eligible under provisions of the Internal Revenue Code
15 for employment in private industry or other programs to provide
16 additional training in the enterprise zone. These programs shall not
17 be designed to subsidize businesses, but are intended to open up job
18 and training opportunities not otherwise available. Nothing in this
19 subsection (2)(e)(ii) shall be deemed to require zone businesses to
20 utilize these programs. The programs should be designed:

21 (A) For those individuals whose opportunities for job-finding are
22 minimal without program participation.

23 (B) To minimize the period of benefit collection by these
24 individuals.

25 (C) To accelerate the transition of those individuals to
26 unsubsidized employment. The department is to seek agreement with
27 business, organized labor, and the appropriate state department and
28 agencies on the design, operation, and evaluation of the test programs.

29 (f) A report with recommendations including representative comments
30 of these groups shall be submitted by the department to the county or
31 municipality which designated the area as an enterprise zone, the
32 governor, and the legislature not later than twelve months after such
33 test programs have commenced, or not later than three months following
34 the termination of the test programs, whichever first occurs.

35 NEW SECTION. **Sec. 10.** (1) Priority in the use of industrial
36 development bonds shall be given to businesses located in an enterprise
37 zone.

1 (2) The state treasurer is authorized and encouraged to place
2 deposits of state funds with financial institutions doing business in
3 an enterprise zone.

4 NEW SECTION. **Sec. 11.** A business receiving assistance under
5 chapter ..., Laws of 1993 (this act) shall seek to employ as many of
6 its employees as possible from the enterprise zone the assistance is
7 related to, with a minimum goal of at least thirty percent of the
8 employees from the respective enterprise zone.

9 NEW SECTION. **Sec. 12.** The administration of an enterprise zone
10 shall be under the jurisdiction of the designating municipality or
11 county. Each designating municipality or county shall, by ordinance,
12 designate a zone administrator for the certified zones within its
13 jurisdiction. A zone administrator must be an officer or employee of
14 the municipality or county. The zone administrator shall be the
15 liaison between the designating municipality or county, the department,
16 and designated zone organizations within zones under his or her
17 jurisdiction.

18 A designating municipality or county may designate one or more
19 organizations qualified under section 2(4) of this act to be designated
20 zone organizations for purposes of this chapter. The municipality or
21 county, may, by ordinance, delegate functions within an enterprise zone
22 to one or more designated zone organizations in the zones.

23 Subject to the necessary governmental authorizations, designated
24 zone organizations may provide the following services or perform the
25 following functions in coordination with the municipality or county:

26 (1) Provide or contract for provision of public services including,
27 but not limited to:

28 (a) Establishment of crime watch patrols within zone neighborhoods.

29 (b) Establishment of volunteer day care centers.

30 (c) Organization of recreational activities for zone area youth.

31 (d) Garbage collection.

32 (e) Street maintenance and improvements.

33 (f) Bridge maintenance and improvements.

34 (g) Maintenance and improvement of water and sewer lines.

35 (h) Energy conservation projects.

36 (i) Health and clinic services.

37 (j) Drug abuse programs.

- 1 (k) Senior citizen assistance programs.
- 2 (l) Park maintenance.
- 3 (m) Rehabilitation, renovation, and operation and maintenance of
- 4 low and moderate-income housing.
- 5 (n) Other types of public services as provided by law or
- 6 regulation.
- 7 (2) Exercise authority for the enforcement of a code, permit, or
- 8 licensing procedure within an enterprise zone.
- 9 (3) Provide a forum for business, labor, and government action on
- 10 zone innovations.
- 11 (4) Apply for regulatory relief as provided in this chapter.
- 12 (5) Receive title to publicly owned land.
- 13 (6) Perform other functions as the responsible government entity
- 14 may deem appropriate, including offerings and contract for insurance
- 15 with businesses within the zone.
- 16 (7) Agree with local governments to provide the public services
- 17 within the zones by contracting with private firms and organizations,
- 18 where feasible and prudent.
- 19 (8) Solicit and receive contributions to improve the quality of
- 20 life in the enterprise zone.

21 NEW SECTION. **Sec. 13.** A new section is added to chapter 43.31 RCW
22 to read as follows:

- 23 (1) The department shall conduct a review of state agency rules and
- 24 shall identify those rules which preliminarily appear to the department
- 25 to:
 - 26 (a) Affect the conduct of business, industry, and commerce.
 - 27 (b) Impose excessive costs on either the creation or conduct of the
 - 28 enterprises.
 - 29 (c) Inhibit the development and expansions of enterprises within
 - 30 enterprise zones.
- 31 (2) The department shall conduct hearings, pursuant to public
- 32 notice, to solicit public comment on agency rules as part of this
- 33 review process.
- 34 (3) The department shall publish a list of rules. The department
- 35 shall transmit a copy of the list to each agency that has adopted rules
- 36 on the list.
- 37 (4) Within ninety days of the publication of the list by the
- 38 department, each agency that adopted rules identified therein shall

1 file a written report with the department detailing for each identified
2 rule:

3 (a) The need or justification.

4 (b) Whether the rule is mandated by state or federal law, or is
5 discretionary, and to what extent.

6 (c) A synopsis of the history of the rule, including an internal
7 agency review after its original adoption.

8 (d) An appropriate explanation of its relationship to other rule-
9 making requirements.

10 The adopting agency shall also include available data, analysis,
11 and studies concerning the economic impact of the identified rules.
12 The agency responses shall be public records.

13 (e) The department shall file a request exempting business
14 enterprises within enterprise zones from those agencies with rules
15 contained in the published list, for which the department finds that
16 the job creation or business development incentives for enterprise zone
17 development engendered by the exemption outweighs the need and
18 justification for the rule. In making its findings, the department
19 shall consider all information, data, and opinions submitted to it by
20 the public, as well as by adopting agencies, as well as information
21 otherwise available to it.

22 (f) Upon its effective date, an exempting rule adopted by the
23 appropriate state agency shall supersede the exempted agency rule in
24 accordance with the terms of the exemption. The exemptions may apply
25 only to business enterprises within enterprise zones during the
26 effective term of the respective zones.

27 NEW SECTION. **Sec. 14.** (1) Agencies may provide in their rules and
28 regulations for:

29 (a) The exemption of business enterprises within enterprises zones;
30 or

31 (b) Modifications or alternatives specifically applicable to
32 business enterprises within enterprise zones, which impose less
33 stringent standards or alternative standards for compliance, including
34 performance-based standards as a substitute for specific mandates of
35 methods, procedures, or equipment.

36 The exemptions, modifications, or alternatives shall be effected by
37 rule. The agency adopting the exemptions, modifications, or
38 alternatives shall file with its proposed rule its findings that the

1 proposed rule provides economic incentives within enterprise zones that
2 promote the purposes of this chapter, and which, to the extent they
3 include an exemption or reduction in rule-making standards or
4 requirements, outweigh the need or justification for the existing rule.

5 (2) Within enterprise zones, the designating county or municipality
6 may modify all local ordinances and rules regarding:

7 (a) Zoning.

8 (b) Licensing.

9 (c) Building codes, excluding however, rules treating building
10 defects.

11 NEW SECTION. **Sec. 15.** (1) Sections 13 and 14(1) of this act do
12 not apply to rules adopted pursuant to: Acts whose purpose is the
13 protection of the environment, the preservation of historic places and
14 landmarks, or the protection of persons against discrimination on the
15 basis of race, color, religion, sex, martial status, national origin,
16 or handicap.

17 (2) No exemption, modification, or alternative to an agency rule
18 adopted under section 13 or 14 of this act shall be effective which:

19 (a) Presents a significant risk to the health or safety of persons
20 residing in or employed within an enterprise zone;

21 (b) Would conflict with federal law or rule so that the state, or
22 a unit of local government or school district, or an area of the state
23 other than enterprise zones, or a business enterprise located outside
24 of an enterprise zone would be disqualified from a federal program or
25 from federal tax or other benefits;

26 (c) Would suspend or modify an agency rule mandated by law; or

27 (d) Would eliminate or reduce benefits to individuals who are
28 residents of or employed within a zone.

29 NEW SECTION. **Sec. 16.** Once an area becomes an enterprise zone,
30 under provisions contained in the enterprise zone agreement, the state
31 and a county or municipality that owns unused structures or vacant land
32 within the enterprise zone may dispose of the structure or vacant land
33 in one of the following ways:

34 (1) Sell the structures or vacant land at public auction or by
35 other methods available to dispose of the property; or

36 (2) Establish an urban homestead program that provides:

1 (a) That the state or county or municipality will sell an
2 individual a residence or portion thereof it owns for a sum not to
3 exceed one thousand dollars;

4 (b) That the individual agrees to live in the residence for a
5 period of seven years;

6 (c) That the individual agrees to renovate or remodel the property
7 to meet the level of maintenance stated in the agreement between the
8 individual and the state or county or municipality;

9 (d) That the state, county, or municipality shall assign the
10 property to the individual at the end of the seven-year residency
11 requirement when satisfactory improvements to the property have been
12 made; or

13 (e) Establish an urban shopstead program that provides:

14 (i) That the state, county, or municipality will sell to a
15 designated zone organization a structure or portion thereof it owns for
16 a sum not to exceed one thousand dollars;

17 (ii) That the designated zone organization agrees to renovate or
18 remodel the property to meet the level of maintenance stated in the
19 agreement between the individual and the state, county, or
20 municipality;

21 (iii) That the state, county, or municipality shall assign the
22 property to the designated zone organization when satisfactory
23 improvements to the property have been made;

24 (iv) That the designated zone organization may sell or lease the
25 structure to commercial or industrial businesses pursuant to procedures
26 that shall be contracted in the agreement between the zone organization
27 and the state or county or municipality. The zone organization may
28 also retain the structure in whole or part of its own use. Proceeds
29 derived from the use, lease, or sale of the property shall be used for
30 cost recovery and for activities entered into under section 12 of this
31 act, as agreed to between the state, county, or municipality and the
32 designated organization.

33 The disposal of real property by the methods described in this
34 section shall give preference to a proposed enterprise zone in the
35 selection process.

36 NEW SECTION. **Sec. 17.** A new section is added to chapter 82.04 RCW
37 to read as follows:

1 (1) A taxpayer may receive a deduction against income subject to
2 business and occupation taxes for a contribution to a designated zone
3 organization if the project for which the contribution is made has been
4 specifically approved by the designating municipality or county, and by
5 the department.

6 (2) A designated zone organization seeking to have a project
7 approved for contribution must submit an application to the department
8 describing the nature and benefit of the project and its potential
9 contributors.

10 The application must address how the following criteria will be
11 met:

12 (a) The project must contribute to the self-help efforts of the
13 residents of the area involved.

14 (b) The project must involve the residents of the area in planning
15 and implementing the project.

16 (c) The designated zone organization must be fiscally responsible
17 for the project.

18 (3) The project must enhance the enterprise zone in one of the
19 following ways:

20 (a) By creating permanent jobs;

21 (b) By physically improving the housing stock;

22 (c) By stimulating neighborhood business activity; or

23 (d) By preventing crime.

24 (4) If the designated zone organization demonstrates its ability to
25 meet the criteria in subsection (2) of this section, and will enhance
26 the neighborhood in one of the ways listed in subsection (3) of this
27 section, the department shall approve the organization's proposed
28 projects and specify the amount of contributions it is eligible to
29 receive for the project. Comments from state elected officials, and
30 county and municipal officials in which all or part of the enterprise
31 zone are located, or in which the project is proposed to be located,
32 shall be solicited by the department in making such decision.

33 (5) Within forty-five days of the receipt of an application, the
34 department shall give notice to the applicant as to whether the
35 application has been approved or disapproved. If the department
36 disapproves the application, it shall specify the reasons for this
37 decision and allow sixty days for the applicant to amend and resubmit
38 its application. The department shall provide assistance upon request
39 to applicants. Resubmitted applications shall receive the department's

1 approval or disapproval within thirty days of submission. Those
2 resubmitted applications satisfying initial department objectives shall
3 be approved unless reasonable circumstances warrant disapproval.

4 (6) On an annual basis, the designated zone organization shall
5 furnish a statement to the department on the programmatic and financial
6 status of an approved project and an audited financial statement of the
7 project.

8 (7) For a project that is approved and for which there is a
9 specified amount of contributions which the designated zone
10 organization may receive for the project as provided in subsection (4)
11 of this section, the designated zone organization shall provide to the
12 department information necessary to determine the eligibility of a
13 contribution to the project for a deduction.

14 **Sec. 18.** RCW 43.155.070 and 1991 sp.s. c 32 s 23 are each amended
15 to read as follows:

16 (1) To qualify for loans or pledges under this chapter the board
17 must determine that a local government meets all of the following
18 conditions:

19 (a) The city or county must be imposing a tax under chapter 82.46
20 RCW at a rate of at least one-quarter of one percent;

21 (b) The local government must have developed a long-term plan for
22 financing public works needs;

23 (c) The local government must be using all local revenue sources
24 which are reasonably available for funding public works, taking into
25 consideration local employment and economic factors; and

26 (d) A county, city, or town that is required or chooses to plan
27 under RCW 36.70A.040 must have adopted a comprehensive plan in
28 conformance with the requirements of chapter 36.70A RCW, after it is
29 required that the comprehensive plan be adopted, and must have adopted
30 development regulations in conformance with the requirements of chapter
31 36.70A RCW, after it is required that development regulations be
32 adopted.

33 (2) The board shall develop a priority process for public works
34 projects as provided in this section. The intent of the priority
35 process is to maximize the value of public works projects accomplished
36 with assistance under this chapter. The board shall attempt to assure
37 a geographical balance in assigning priorities to projects. The board

1 shall consider at least the following factors in assigning a priority
2 to a project:

3 (a) Whether the local government receiving assistance has
4 experienced severe fiscal distress resulting from natural disaster or
5 emergency public works needs;

6 (b) Whether the project is critical in nature and would affect the
7 health and safety of a great number of citizens;

8 (c) The cost of the project compared to the size of the local
9 government and amount of loan money available;

10 (d) The number of communities served by or funding the project;

11 (e) Whether the project is located in an area of high unemployment,
12 compared to the average state unemployment;

13 (f) Whether the project is the acquisition, expansion, improvement,
14 or renovation by a local government of a public water system that is in
15 violation of health and safety standards, including the cost of
16 extending existing service to such a system;

17 (g) The relative benefit of the project to the community,
18 considering the present level of economic activity in the community and
19 the existing local capacity to increase local economic activity in
20 communities that have low economic growth; ((and))

21 (h) Whether the project is located in an enterprise zone
22 established under sections 2 through 12 and 14 through 16 of this act;
23 and

24 (i) Other criteria that the board considers advisable.

25 (3) Existing debt or financial obligations of local governments
26 shall not be refinanced under this chapter. Each local government
27 applicant shall provide documentation of attempts to secure additional
28 local or other sources of funding for each public works project for
29 which financial assistance is sought under this chapter.

30 (4) Before November 1 of each year, the board shall develop and
31 submit to the chairs of the ways and means committees of the senate and
32 house of representatives a description of the emergency loans made
33 under RCW 43.155.065 during the preceding fiscal year and a prioritized
34 list of projects which are recommended for funding by the legislature,
35 including one copy to the staff of each of the committees. The list
36 shall include, but not be limited to, a description of each project and
37 recommended financing, the terms and conditions of the loan or
38 financial guarantee, the local government jurisdiction and unemployment
39 rate, demonstration of the jurisdiction's critical need for the project

1 and documentation of local funds being used to finance the public works
2 project. The list shall also include measures of fiscal capacity for
3 each jurisdiction recommended for financial assistance, compared to
4 authorized limits and state averages, including local government sales
5 taxes; real estate excise taxes; property taxes; and charges for or
6 taxes on sewerage, water, garbage, and other utilities.

7 (5) The board shall not sign contracts or otherwise financially
8 obligate funds from the public works assistance account before the
9 legislature has appropriated funds for a specific list of public works
10 projects. The legislature may remove projects from the list
11 recommended by the board. The legislature shall not change the order
12 of the priorities recommended for funding by the board.

13 (6) Subsections (4) and (5) of this section do not apply to loans
14 made for emergency public works projects under RCW 43.155.065.

15 **Sec. 19.** RCW 43.160.060 and 1990 1st ex.s. c 17 s 73 are each
16 amended to read as follows:

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

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

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

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

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

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

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

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

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

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

21 (3) The board shall prioritize each proposed project according to
22 the relative benefits provided to the community by the jobs the project
23 would create, not just the total number of jobs it would create after
24 the project is completed and according to the unemployment rate in the
25 area in which the jobs would be located. As long as there is more
26 demand for loans or grants than there are funds available for loans or
27 grants, the board is instructed to fund projects in order of their
28 priority. The board shall give special consideration to projects in
29 enterprise zones established under sections 2 through 12 and 14 through
30 16 of this act.

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

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

1 **Sec. 20.** RCW 43.168.050 and 1990 1st ex.s. c 17 s 74 are each
2 amended to read as follows:

3 (1) The committee may only approve an application providing a loan
4 for a project which the committee finds:

5 (a) Will result in the creation of employment opportunities or the
6 maintenance of threatened employment;

7 (b) Has been approved by the director as conforming to federal
8 rules and regulations governing the spending of federal community
9 development block grant funds;

10 (c) Will be of public benefit and for a public purpose, and that
11 the benefits, including increased or maintained employment, improved
12 standard of living, and the employment of disadvantaged workers, will
13 primarily accrue to residents of the area;

14 (d) Will probably be successful;

15 (e) Would probably not be completed without the loan because other
16 capital or financing at feasible terms is unavailable or the return on
17 investment is inadequate.

18 (2) The committee shall, subject to federal block grant criteria,
19 give higher priority to economic development projects that contain
20 provisions for child care.

21 (3) The committee may not approve an application if it fails to
22 provide for adequate reporting or disclosure of financial data to the
23 committee. The committee may require an annual or other periodic audit
24 of the project books.

25 (4) The committee may require that the project be managed in whole
26 or in part by a local development organization and may prescribe a
27 management fee to be paid to such organization by the recipient of the
28 loan or grant.

29 (5) (a) Except as provided in (b) of this subsection, the committee
30 shall not approve any application which would result in a loan or grant
31 in excess of three hundred fifty thousand dollars.

32 (b) The committee may approve an application which results in a
33 loan or grant of up to seven hundred thousand dollars if the
34 application has been approved by the director.

35 (6) The committee shall fix the terms and rates pertaining to its
36 loans.

37 (7) Should there be more demand for loans than funds available for
38 lending, the committee shall provide loans for those projects which
39 will lead to the greatest amount of employment or benefit to a

1 community. In determining the "greatest amount of employment or
2 benefit" the committee shall also consider the employment which would
3 be saved by its loan and the benefit relative to the community, not
4 just the total number of new jobs or jobs saved.

5 (8) To the extent permitted under federal law the committee shall
6 require applicants to provide for the transfer of all payments of
7 principal and interest on loans to the Washington state development
8 loan fund created under this chapter. Under circumstances where the
9 federal law does not permit the committee to require such transfer, the
10 committee shall give priority to applications where the applicants on
11 their own volition make commitments to provide for the transfer.

12 (9) The committee shall not approve any application to finance or
13 help finance a shopping mall.

14 (10) The committee shall make at least eighty percent of the
15 appropriated funds available to projects located in distressed areas,
16 or enterprise zones established under sections 2 through 12 and 14
17 through 16 of this act, and may make up to twenty percent available to
18 projects located in areas not designated as distressed. The committee
19 shall not make funds available to projects located in areas not
20 designated as distressed or as an enterprise zone if the fund's net
21 worth is less than seven million one hundred thousand dollars.

22 (11) If an objection is raised to a project on the basis of unfair
23 business competition, the committee shall evaluate the potential impact
24 of a project on similar businesses located in the local market area.
25 A grant may be denied by the committee if a project is not likely to
26 result in a net increase in employment within a local market area.

27 NEW SECTION. **Sec. 21.** A new section is added to chapter 43.31 RCW
28 to read as follows:

29 The department shall coordinate its programs within the department
30 and with other agencies to assist in the success of enterprise zones
31 established under sections 2 through 12 and 14 through 16 of this act.

32 NEW SECTION. **Sec. 22.** A new section is added to chapter 43.63A
33 RCW to read as follows:

34 The department shall coordinate its programs within the department
35 and with other agencies to assist in the success of enterprise zones
36 established under sections 2 through 12 and 14 through 16 of this act.

1 NEW SECTION. **Sec. 23.** A new section is added to chapter 50.08 RCW
2 to read as follows:

3 The department shall coordinate its programs within the department
4 and with other agencies to assist in the success of enterprise zones
5 established under sections 2 through 12 and 14 through 16 of this act.

6 **Sec. 24.** RCW 82.60.050 and 1988 c 41 s 5 are each amended to read
7 as follows:

8 RCW 82.60.030 and 82.60.040 shall expire July 1, (~~(1994)~~) 2000.

9 **Sec. 25.** RCW 82.61.040 and 1988 c 41 s 2 are each amended to read
10 as follows:

11 RCW 82.61.020 and 82.61.030 shall expire July 1, (~~(1994)~~) 2000.

12 **Sec. 26.** RCW 82.62.040 and 1988 c 41 s 4 are each amended to read
13 as follows:

14 RCW 82.62.020 and 82.62.030 shall expire July 1, (~~(1994)~~) 2000.

15 **Sec. 27.** RCW 82.60.020 and 1988 c 42 s 16 are each amended to read
16 as follows:

17 Unless the context clearly requires otherwise, the definitions in
18 this section apply throughout this chapter.

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

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

22 (3) "Eligible area" means: (a) A county in which the average level
23 of unemployment for the three years before the year in which an
24 application is filed under this chapter exceeds the average state
25 unemployment for those years by twenty percent; or (b) a metropolitan
26 statistical area, as defined by the office of federal statistical
27 policy and standards, United States department of commerce, in which
28 the average level of unemployment for the calendar year immediately
29 preceding the year in which an application is filed under this chapter
30 exceeds the average state unemployment for such calendar year by twenty
31 percent; or (c) an enterprise zone established under sections 2 through
32 16 of this act. (~~(Applications under this subsection (3)(b) shall be~~
33 ~~filed by April 30, 1989.)~~)

34 (4)(a) "Eligible investment project" means that portion of an
35 investment project which:

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

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

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

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

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

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

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

33 (8) "Qualified buildings" means new structures used for
34 manufacturing and research and development activities, including plant
35 offices and warehouses or other facilities for the storage of raw
36 material or finished goods if such facilities are an essential or an
37 integral part of a factory, mill, plant, or laboratory used for
38 manufacturing or research and development. If a building is used
39 partly for manufacturing or research and development and partly for

1 other purposes, the applicable tax deferral shall be determined by
2 apportionment of the costs of construction under rules adopted by the
3 department.

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

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

15 (11) "Recipient" means a person receiving a tax deferral under this
16 chapter.

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

23 **Sec. 28.** RCW 82.61.010 and 1988 c 41 s 1 are each amended to read
24 as follows:

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

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

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

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

31 (4) "Eligible investment project" means:

32 (a) Construction of new buildings and the acquisition of new
33 related machinery and equipment when the buildings, machinery, and
34 equipment are to be used for either manufacturing or research and
35 development activities, which construction is commenced prior to
36 December 31, (~~1994~~) 2000; or

37 (b) Acquisition prior to December 31, (~~1994~~) 2000, of new
38 machinery and equipment to be used for either manufacturing or research

1 and development if the machinery and equipment is housed in a new
2 leased structure: PROVIDED, That the lessor/owner of the structure is
3 not eligible for a deferral unless the underlying ownership of the
4 buildings, machinery, and equipment vests exclusively in the same
5 person; or

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

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

33 (5) "Manufacturing" means all activities of a commercial or
34 industrial nature wherein labor or skill is applied, by hand or
35 machinery, to materials so that as a result thereof a new, different,
36 or useful substance or article of tangible personal property is
37 produced for sale or commercial or industrial use and includes the
38 production or fabrication of specially made or custom-made articles.

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

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

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

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

31 (10) "Recipient" means a person receiving a tax deferral under this
32 chapter.

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

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

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

1 **Sec. 29.** RCW 82.61.070 and 1988 c 41 s 3 are each amended to read
2 as follows:

3 The department and the department of trade and economic development
4 shall jointly report to the legislature about the effects of this
5 chapter on new manufacturing and research and development activities in
6 this state. The report shall contain information concerning the number
7 of deferral certificates granted, the amount of sales tax deferred, the
8 number of jobs created and other information useful in measuring such
9 effects. Reports shall be submitted by January 1, 1986, and by January
10 1 of each year through ((1995)) 2001.

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

13 Unless the context clearly requires otherwise, the definitions in
14 this section apply throughout this chapter.

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

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

18 (3) "Eligible area" means: (a) A county in which the average level
19 of unemployment for the three years before the year in which an
20 application is filed under this chapter exceeds the average state
21 unemployment for those years by twenty percent; or (b) a metropolitan
22 statistical area, as defined by the office of federal statistical
23 policy and standards, United States department of commerce, in which
24 the average level of unemployment for the calendar year immediately
25 preceding the year in which an application is filed under this chapter
26 exceeds the average state unemployment for such calendar year by twenty
27 percent; or (c) an enterprise zone established under sections 2 through
28 16 of this act. ((Applications under this subsection (3)(b) shall be
29 filed by April 30, 1989.))

30 (4)(a) "Eligible business project" means manufacturing or research
31 and development activities which are conducted by an applicant in an
32 eligible area at a specific facility: PROVIDED, That the applicant's
33 average full-time qualified employment positions at the specific
34 facility will be at least fifteen percent greater in the year for which
35 the credit is being sought than the applicant's average full-time
36 qualified employment positions at the same facility in the immediately
37 preceding year.

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

6 (5) "Manufacturing" means all activities of a commercial or
7 industrial nature wherein labor or skill is applied, by hand or
8 machinery, to materials so that as a result thereof a new, different,
9 or useful substance or article of tangible personal property is
10 produced for sale or commercial or industrial use and shall include the
11 production or fabrication of specially made or custom made articles.
12 "Manufacturing" also includes computer programming, the production of
13 computer software, and other computer-related services, and the
14 activities performed by research and development laboratories and
15 commercial testing laboratories.

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

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

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

21 (9) "Recipient" means a person receiving tax credits under this
22 chapter.

23 (10) "Research and development" means the development, refinement,
24 testing, marketing, and commercialization of a product, service, or
25 process before commercial sales have begun. As used in this
26 subsection, "commercial sales" excludes sales of prototypes or sales
27 for market testing if the total gross receipts from such sales of the
28 product, service, or process do not exceed one million dollars.

29 NEW SECTION. **Sec. 31.** Sections 2 through 12 and 14 through 16 of
30 this act shall constitute a new chapter in Title 43 RCW.

31 NEW SECTION. **Sec. 32.** If any provision of this act or its
32 application to any person or circumstance is held invalid, the
33 remainder of the act or the application of the provision to other
34 persons or circumstances is not affected.

--- END ---