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**ENGROSSED SUBSTITUTE HOUSE BILL 1283**

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**State of Washington**

**55th Legislature**

**1997 Regular Session**

**By** House Committee on Trade & Economic Development (originally sponsored by Representatives Mason, Van Luven, Veloria, Ballasiotes, Costa, Morris, Wood, Tokuda, Kessler, Scott and Blalock)

Read first time 03/05/97.

1       AN ACT Relating to funding for business and economic development  
2 programs; amending RCW 82.62.010 and 82.62.030; adding a new chapter to  
3 Title 43 RCW; and creating new sections.

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

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

6       (a) The continued economic vitality of downtown and neighborhood  
7 commercial districts in our state's cities are essential to community  
8 preservation, social cohesion, and economic growth;

9       (b) In recent years there has been a deterioration of downtown and  
10 neighborhood commercial districts in rural and urban communities due to  
11 a shifting population base, changes in the marketplace, and greater  
12 competition from suburban shopping malls and discount centers;

13       (c) This decline has eroded the ability of businesses and property  
14 owners to renovate and enhance their commercial and residential  
15 properties; and

16       (d) Business owners in these districts need to maintain their local  
17 economies in order to provide goods and services to adjacent residents,  
18 to provide employment opportunities, and to avoid disinvestment and

1 economic dislocations, and have developed downtown and neighborhood  
2 commercial district revitalization programs to address these problems.

3 (2) It is the intent of the legislature to establish a program to:

4 (a) Work in partnership with these organizations;

5 (b) Provide technical assistance and training to local governments,  
6 business organizations, downtown and neighborhood commercial district  
7 organizations, and business and property owners to accomplish community  
8 and economic revitalization and development of business districts; and

9 (c) Certify a downtown and neighborhood commercial district  
10 organization's use of available tax incentives.

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

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

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

17 (3) "Director" means the director of community, trade, and economic  
18 development.

19 (4) "Local government" means a city, code city, town, or county  
20 with a population of at least three hundred thousand.

21 (5) "Qualified levels of participation" means a local downtown and  
22 neighborhood commercial district revitalization effort that has been  
23 certified by the department, as being at the participant-level,  
24 associate-level, or partner-level.

25 NEW SECTION. **Sec. 3.** The Washington main street program is  
26 created within the department. In order to implement the Washington  
27 main street program, the department shall:

28 (1) Provide technical assistance to businesses, property owners,  
29 organizations, and local governments undertaking a comprehensive  
30 downtown and neighborhood commercial district revitalization and  
31 management strategy within a specified area. Technical assistance  
32 includes, but is not limited to: Initial site evaluations and  
33 assessments; training for local programs; training for local program  
34 staff; site visits and assessments by technical specialists; local  
35 program design assistance and evaluation; and continued local program  
36 on-site assistance;

1 (2) To the extent funds are made available, provide financial  
2 assistance to local governments or local organizations to assist in  
3 initial program start-up costs, specific project feasibility studies,  
4 market studies, and design assistance;

5 (3) Develop objective criteria for selecting recipients of  
6 financial assistance under subsection (1) of this section and providing  
7 designation of a local program under section 4 of this act;

8 (4) Operate the Washington main street program in accordance with  
9 the plan developed by the department, in consultation with the  
10 Washington main street advisory committee created under section 5 of  
11 this act;

12 (5) Allow certification of local downtown and neighborhood  
13 commercial district revitalization programs by local governments with  
14 a population greater than one hundred thousand; and

15 (6) Consider other factors the department deems necessary for the  
16 implementation of this chapter.

17 NEW SECTION. **Sec. 4.** The department shall, by rule, adopt  
18 criteria for the designation of local downtown and neighborhood  
19 commercial district revitalization programs and official local main  
20 street programs. The categories are limited to: Partner-level,  
21 associate-level, and participant-level. In establishing the criteria,  
22 the department shall consider:

23 (1) The degree of interest and commitment to downtown and  
24 neighborhood commercial district revitalization and, where applicable,  
25 historic preservation by both the public and private sectors;

26 (2) The evidence of potential private sector investment in the  
27 downtown and neighborhood commercial district;

28 (3) Where applicable, a downtown and neighborhood commercial  
29 district with sufficient historic fabric to become a foundation for an  
30 enhanced community image;

31 (4) Organization and financial commitment to implement a long-term  
32 downtown and neighborhood commercial district revitalization program  
33 that includes a commitment to employ a professional project manager  
34 with an operating budget;

35 (5) The department's existing downtown revitalization services tier  
36 system;

37 (6) The national main street center's criteria for designating  
38 official main street cities; and

1 (7) Other factors the department deems necessary for the  
2 designation of a local program.

3 NEW SECTION. **Sec. 5.** (1) The Washington main street advisory  
4 committee is created within the department. The members of the  
5 advisory committee are appointed by the director and consist of:

6 (a) The director, or the director's designee, who shall serve as  
7 chair;

8 (b) One representative of private industry councils;

9 (c) Two representatives of local governments;

10 (d) The chair of the governor's small business improvement council;

11 (e) Five representatives from existing main street programs or  
12 downtown and neighborhood commercial district programs; and

13 (f) One representative of the Washington state office of  
14 archaeology and historic preservation.

15 (2) The plan required under section 3 of this act must describe:

16 (a) The objectives and strategies of the Washington main street  
17 program;

18 (b) How the Washington main street program will be coordinated with  
19 existing federal, state, local, and private sector business development  
20 and historic preservation efforts;

21 (c) The means by which private investment will be solicited and  
22 employed;

23 (d) The methods of selecting and providing assistance to  
24 participating local programs; and

25 (e) A means to solicit private contributions for state and local  
26 operations of the Washington main street program.

27 (3) In addition to the plan required under this chapter, the  
28 Washington main street advisory committee must conduct a study on  
29 possible financial incentives to encourage the development and  
30 retention of businesses located within downtown and neighborhood  
31 commercial business districts. The study must contain information on:

32 (a) Existing state and local financial incentives available to  
33 businesses located in downtown and neighborhood commercial business  
34 districts;

35 (b) Financial and tax incentives available in other states to  
36 encourage the development or retention of businesses located in  
37 downtown and neighborhood commercial business districts;

1 (c) Other information the advisory committee deems appropriate to  
2 the required study.

3 (4) By November 15, 1997, the Washington main street advisory  
4 committee shall submit their report with findings and recommendations  
5 to the appropriate legislative committees of the house of  
6 representatives and the senate.

7 NEW SECTION. **Sec. 6.** The Washington main street trust fund  
8 account is created in the state treasury. All receipts from private  
9 contributions, federal funds, legislative appropriations, and fees for  
10 services, if levied, must be deposited into the account. Moneys in the  
11 account may be spent only after appropriation. Expenditures from the  
12 account may be used only for the operation of the Washington main  
13 street program.

14 NEW SECTION. **Sec. 7.** The legislature finds that there is a need  
15 to increase economic opportunity in economically distressed  
16 communities. The legislature further finds that efforts to increase  
17 economic opportunity in economically distressed communities must  
18 involve a collaborative effort between community and business  
19 development agencies, individual businesses, financial institutions,  
20 public sector agencies, institutions of higher education, and community  
21 residents. It is the intent of the legislature to support institutions  
22 of higher education in the establishment of collaborative efforts to  
23 increase economic opportunity in economically distressed communities.

24 NEW SECTION. **Sec. 8.** (1) The University of Washington and  
25 Washington State University shall conduct a study to:

26 (a) Analyze the impact of their current economic and business  
27 development programs and initiatives on economically distressed  
28 communities;

29 (b) Analyze the economic impacts of their business development and  
30 technology transfer programs on creating economic opportunities for  
31 African-American, Asian-American, Native American, Asian and Pacific  
32 Islander, and Hispanic-American residents of Washington; and

33 (c) Propose changes and additions to existing economic and business  
34 development programs to better serve economically distressed  
35 communities and women and minority individuals and business owners.

1 (2)(a) The University of Washington and Washington State University  
2 each shall form an advisory group comprised of representatives from  
3 community-based organizations in distressed communities, small business  
4 owners, financial institutions, insurance companies, local government,  
5 and other interested groups.

6 (b) The advisory group created in this section shall be responsible  
7 for the review of the data found under subsection (1) of this section.

8 (3) All administrative and clerical staffing for the task force  
9 shall be provided by the University of Washington and Washington State  
10 University.

11 (4) By October 15, 1997, the University of Washington and  
12 Washington State University shall submit their report with findings and  
13 recommendations to the appropriate legislative committees of the house  
14 of representatives and the senate.

15 **Sec. 9.** RCW 82.62.010 and 1996 c 290 s 5 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 credit under this  
20 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; (b) a county that has  
26 a median household income that is less than seventy-five percent of the  
27 state median household income for the previous three years; (c) a  
28 metropolitan statistical area, as defined by the office of federal  
29 statistical policy and standards, United States department of commerce,  
30 in which the average level of unemployment for the calendar year  
31 immediately preceding the year in which an application is filed under  
32 this chapter exceeds the average state unemployment for such calendar  
33 year by twenty percent; (d) a designated community empowerment zone  
34 approved under RCW 43.63A.700; or (e) subcounty areas in those counties  
35 that are not covered under (a) of this subsection that are timber  
36 impact areas as defined in RCW 43.31.601.

37 (4)(a) "Eligible business project" means manufacturing or research  
38 and development activities which are conducted by an applicant in an

1 eligible area at a specific facility, provided the applicant's average  
2 full-time qualified employment positions at the specific facility will  
3 be (~~at least fifteen percent~~) greater in the year for which the  
4 credit is being sought than the applicant's average full-time qualified  
5 employment positions at the same facility in the immediately preceding  
6 year.

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

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

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

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

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

27 (9) "Recipient" means a person receiving tax credits under this  
28 chapter.

29 (10) "Research and development" means the development, refinement,  
30 testing, marketing, and commercialization of a product, service, or  
31 process before commercial sales have begun. As used in this  
32 subsection, "commercial sales" excludes sales of prototypes or sales  
33 for market testing if the total gross receipts from such sales of the  
34 product, service, or process do not exceed one million dollars.

35 **Sec. 10.** RCW 82.62.030 and 1996 c 1 s 3 are each amended to read  
36 as follows:

37 (1) A person shall be allowed a credit against the tax due under  
38 chapter 82.04 RCW as provided in this section. For an application

1 approved before January 1, 1996, the credit shall equal one thousand  
2 dollars for each qualified employment position directly created in an  
3 eligible business project. For an application approved on or after  
4 January 1, 1996, the credit shall equal two thousand dollars for each  
5 qualified employment position directly created in an eligible business  
6 project.

7 (2) The department shall keep a running total of all credits  
8 granted under this chapter during each fiscal biennium. The department  
9 shall not allow any credits which would cause the tabulation for a  
10 biennium to exceed fifteen million dollars. If all or part of an  
11 application for credit is disallowed under this subsection, the  
12 disallowed portion shall be carried over for approval the next  
13 biennium. However, the applicant's carryover into the next biennium is  
14 only permitted if the tabulation for the next biennium does not exceed  
15 fifteen million dollars as of the date on which the department has  
16 disallowed the application.

17 (3) No recipient is eligible for tax credits in excess of (~~three~~  
18 ~~hundred~~) two hundred ninety-five thousand dollars per taxable year.

19 (4) No recipient may use the tax credits to decertify a union or to  
20 displace existing jobs in any community in the state.

21 (5) No recipient may receive a tax credit on taxes which have not  
22 been paid during the taxable year.

23 NEW SECTION. **Sec. 11.** Sections 1 through 7 of this act may be  
24 known and cited as the Washington main street act.

25 NEW SECTION. **Sec. 12.** Sections 1 through 7 of this act constitute  
26 a new chapter in Title 43 RCW.

27 NEW SECTION. **Sec. 13.** If any provision of this act or its  
28 application to any person or circumstance is held invalid, the  
29 remainder of the act or the application of the provision to other  
30 persons or circumstances is not affected.

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