

2 **E2SSB 5594** - H AMD 0192 ADOPTED 4/13/99  
3 By Representatives Kessler and Thomas

4

5 Strike everything after the enacting clause and insert the  
6 following:

7 "NEW SECTION. **Sec. 1.** The legislature finds that while  
8 Washington's economy is currently prospering, economic growth continues  
9 to be uneven, particularly as between metropolitan and rural areas.  
10 This has created in effect two Washingtons. One afflicted by  
11 inadequate infrastructure to support and attract investment, another  
12 suffering from congestion and soaring housing prices. In order to  
13 address these problems, the legislature intends to use resources  
14 strategically to build on our state's strengths while addressing  
15 threats to our prosperity.

16

**PART I**

17

**RURAL ECONOMIC DEVELOPMENT**

18

**Enhanced Flexibility for Use of Community Economic**

19

**Revitalization Board Funds**

20 **Sec. 101.** RCW 43.160.010 and 1996 c 51 s 1 are each amended to  
21 read as follows:

22 (1) The legislature finds that it is the public policy of the state  
23 of Washington to direct financial resources toward the fostering of  
24 economic development through the stimulation of investment and job  
25 opportunities and the retention of sustainable existing employment for  
26 the general welfare of the inhabitants of the state. Reducing  
27 unemployment and reducing the time citizens remain jobless is important  
28 for the economic welfare of the state. A valuable means of fostering  
29 economic development is the construction of public facilities which  
30 contribute to the stability and growth of the state's economic base.  
31 Strengthening the economic base through issuance of industrial  
32 development bonds, whether single or umbrella, further serves to reduce  
33 unemployment. Consolidating issues of industrial development bonds

1 when feasible to reduce costs additionally advances the state's purpose  
2 to improve economic vitality. Expenditures made for these purposes as  
3 authorized in this chapter are declared to be in the public interest,  
4 and constitute a proper use of public funds. A community economic  
5 revitalization board is needed which shall aid the development of  
6 economic opportunities. The general objectives of the board should  
7 include:

8 (a) Strengthening the economies of areas of the state which have  
9 experienced or are expected to experience chronically high unemployment  
10 rates or below average growth in their economies;

11 (b) Encouraging the diversification of the economies of the state  
12 and regions within the state in order to provide greater seasonal and  
13 cyclical stability of income and employment;

14 (c) Encouraging wider access to financial resources for both large  
15 and small industrial development projects;

16 (d) Encouraging new economic development or expansions to maximize  
17 employment;

18 (e) Encouraging the retention of viable existing firms and  
19 employment; and

20 (f) Providing incentives for expansion of employment opportunities  
21 for groups of state residents that have been less successful relative  
22 to other groups in efforts to gain permanent employment.

23 (2) The legislature also finds that the state's economic  
24 development efforts can be enhanced by, in certain instances, providing  
25 funds to improve state highways (~~in the vicinity of new~~), county  
26 roads, or city streets for industries considering locating or expanding  
27 in this state (~~or existing industries that are considering significant~~  
28 ~~expansion~~)).

29 (a) The legislature finds it desirable to provide a process whereby  
30 the need for diverse public works improvements necessitated by planned  
31 economic development can be addressed in a timely fashion and with  
32 coordination among all responsible governmental entities.

33 (b) (~~It is the intent of the legislature to create an economic~~  
34 ~~development account within the motor vehicle fund from which~~  
35 ~~expenditures can be made by the department of transportation for state~~  
36 ~~highway improvements necessitated by planned economic development.~~)

37 All (~~such~~) transportation improvements on state highways must first  
38 be approved by the state transportation commission and the community  
39 economic revitalization board in accordance with the procedures

1 established by RCW 43.160.074 and 47.01.280. (~~It is further the~~  
2 ~~intent of the legislature that such improvements not jeopardize any~~  
3 ~~other planned highway construction projects. The improvements are~~  
4 ~~intended to be of limited size and cost, and to include such items as~~  
5 ~~additional turn lanes, signalization, illumination, and safety~~  
6 ~~improvements.))~~

7 (3) The legislature also finds that the state's economic  
8 development efforts can be enhanced by, in certain instances, providing  
9 funds to assist development of telecommunications infrastructure that  
10 supports business development, retention, and expansion in rural  
11 natural resources impact areas and rural counties of the state.

12 (4) The legislature also finds that the state's economic  
13 development efforts can be enhanced by providing funds to improve  
14 markets for those recyclable materials representing a large fraction of  
15 the waste stream. The legislature finds that public facilities which  
16 result in private construction of processing or remanufacturing  
17 facilities for recyclable materials are eligible for consideration from  
18 the board.

19 (~~(4)~~) (5) The legislature finds that sharing economic growth  
20 state-wide is important to the welfare of the state. Rural counties  
21 and rural natural resources impact areas do not share in the economic  
22 vitality of the Puget Sound region. The ability of these communities  
23 to pursue business and job retention, expansion, and development  
24 opportunities depends on their capacity to ready necessary economic  
25 development project plans, sites, permits, and infrastructure for  
26 private investments. Project-specific planning, predevelopment, and  
27 infrastructure (~~is one of several~~) are critical ingredients (~~that~~  
28 are critical) for economic development. Rural counties and rural  
29 natural resources impact areas generally lack (~~the infrastructure~~)  
30 these necessary tools and resources to diversify and revitalize their  
31 economies. It is, therefore, the intent of the legislature to increase  
32 the (~~availability of funds to help provide infrastructure to rural~~  
33 natural resource impact areas) amount of funding available through the  
34 community economic revitalization board for rural counties and rural  
35 natural resources impact areas, and to authorize flexibility for  
36 available resources in these areas to help fund planning,  
37 predevelopment, and construction costs of infrastructure and facilities  
38 and sites that foster economic vitality and diversification.

1       **Sec. 102.** RCW 43.160.020 and 1997 c 367 s 8 are each amended to  
2 read as follows:

3       Unless the context clearly requires otherwise, the definitions in  
4 this section apply throughout this chapter.

5       (1) "Board" means the community economic revitalization board.

6       (2) "Bond" means any bond, note, debenture, interim certificate, or  
7 other evidence of financial indebtedness issued by the board pursuant  
8 to this chapter.

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

11       (4) "Financial institution" means any bank, savings and loan  
12 association, credit union, development credit corporation, insurance  
13 company, investment company, trust company, savings institution, or  
14 other financial institution approved by the board and maintaining an  
15 office in the state.

16       (5) "Industrial development facilities" means "industrial  
17 development facilities" as defined in RCW 39.84.020.

18       (6) "Industrial development revenue bonds" means tax-exempt revenue  
19 bonds used to fund industrial development facilities.

20       (7) "Local government" or "political subdivision" means any port  
21 district, county, city, town, special purpose district, and any other  
22 municipal corporations or quasi-municipal corporations in the state  
23 providing for public facilities under this chapter.

24       (8) "Sponsor" means any of the following entities which customarily  
25 provide service or otherwise aid in industrial or other financing and  
26 are approved as a sponsor by the board: A bank, trust company, savings  
27 bank, investment bank, national banking association, savings and loan  
28 association, building and loan association, credit union, insurance  
29 company, or any other financial institution, governmental agency, or  
30 holding company of any entity specified in this subsection.

31       (9) "Umbrella bonds" means industrial development revenue bonds  
32 from which the proceeds are loaned, transferred, or otherwise made  
33 available to two or more users under this chapter.

34       (10) "User" means one or more persons acting as lessee, purchaser,  
35 mortgagor, or borrower under a financing document and receiving or  
36 applying to receive revenues from bonds issued under this chapter.

37       (11) "Public facilities" means a project of a local government for  
38 the planning, acquisition, construction, repair, reconstruction,  
39 replacement, rehabilitation, or improvement of bridges, roads, domestic

1 and industrial water, flood control, earth stabilization, sanitary  
2 sewer, storm sewer, railroad, electricity, telecommunications,  
3 transportation, natural gas, buildings or structures, and port  
4 facilities, all for the purpose of job creation, job retention, or job  
5 expansion.

6 (12) "Rural county" means a county with a population density of  
7 less than one hundred persons per square mile as determined by the  
8 office of financial management.

9 (13) "Rural natural resources impact area" means:

10 (a) A nonmetropolitan county, as defined by the 1990 decennial  
11 census, that meets three of the five criteria set forth in subsection  
12 (~~((13))~~) (14) of this section;

13 (b) A nonmetropolitan county with a population of less than forty  
14 thousand in the 1990 decennial census, that meets two of the five  
15 criteria as set forth in subsection (~~((13))~~) (14) of this section; or

16 (c) A nonurbanized area, as defined by the 1990 decennial census,  
17 that is located in a metropolitan county that meets three of the five  
18 criteria set forth in subsection (~~((13))~~) (14) of this section.

19 (~~((13))~~) (14) For the purposes of designating rural natural  
20 resources impact areas, the following criteria shall be considered:

21 (a) A lumber and wood products employment location quotient at or  
22 above the state average;

23 (b) A commercial salmon fishing employment location quotient at or  
24 above the state average;

25 (c) Projected or actual direct lumber and wood products job losses  
26 of one hundred positions or more;

27 (d) Projected or actual direct commercial salmon fishing job losses  
28 of one hundred positions or more; and

29 (e) An unemployment rate twenty percent or more above the state  
30 average. The counties that meet these criteria shall be determined by  
31 the employment security department for the most recent year for which  
32 data is available. For the purposes of administration of programs  
33 under this chapter, the United States post office five-digit zip code  
34 delivery areas will be used to determine residence status for  
35 eligibility purposes. For the purpose of this definition, a zip code  
36 delivery area of which any part is ten miles or more from an urbanized  
37 area is considered nonurbanized. A zip code totally surrounded by zip  
38 codes qualifying as nonurbanized under this definition is also  
39 considered nonurbanized. The office of financial management shall make

1 available a zip code listing of the areas to all agencies and  
2 organizations providing services under this chapter.

3 **Sec. 103.** RCW 43.160.060 and 1996 c 51 s 5 are each amended to  
4 read as follows:

5 The board is authorized to make direct loans to political  
6 subdivisions of the state for the purposes of assisting the political  
7 subdivisions in financing the cost of public facilities, including  
8 development of land and improvements for public facilities, project-  
9 specific environmental, capital facilities, land use, permitting,  
10 feasibility and marketing studies and plans; project design, site  
11 planning, and analysis; project debt and revenue impact analysis; as  
12 well as the construction, rehabilitation, alteration, expansion, or  
13 improvement of the facilities. A grant may also be authorized for  
14 purposes designated in this chapter, but only when, and to the extent  
15 that, a loan is not reasonably possible, given the limited resources of  
16 the political subdivision and the finding by the board that ((unique))  
17 financial circumstances ((exist. The board shall not obligate more  
18 than twenty percent of its biennial appropriation as grants)) require  
19 grant assistance to enable the project to move forward.

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

23 (1) The board shall not provide financial assistance:

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

26 (b) For any project that evidence exists would result in a  
27 development or expansion that would displace existing jobs in any other  
28 community in the state, except a project that would relocate a business  
29 from a nondistressed urban area to a rural county or rural natural  
30 resources impact area.

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

33 (d) For a construction project to any local government applicant  
34 that is not, at the time of application for financial assistance, in  
35 compliance with the provisions of chapter 36.70A RCW.

36 (2) The board shall only provide financial assistance:

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

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

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

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

20 (3) The board shall prioritize each proposed project according to:

21 (a) The relative benefits provided to the community by the jobs the  
22 project would create, not just the total number of jobs it would create  
23 after the project is completed and according to the unemployment rate  
24 in the area in which the jobs would be located~~((. As long as there is~~  
25 ~~more demand for financial assistance than there are funds available,~~  
26 ~~the board is instructed to fund projects in order of their priority))i~~  
27 and

28 (b) The rate of return of the state's investment, that includes the  
29 expected increase in state and local tax revenues associated with the  
30 project.

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

1       **Sec. 104.** RCW 43.160.070 and 1998 c 321 s 27 (Referendum Bill No.  
2 49) are each amended to read as follows:

3       Public facilities financial assistance, when authorized by the  
4 board, is subject to the following conditions:

5       (1) The moneys in the public facilities construction loan revolving  
6 account and the distressed county public facilities construction loan  
7 account shall be used solely to fulfill commitments arising from  
8 financial assistance authorized in this chapter or, during the 1989-91  
9 fiscal biennium, for economic development purposes as appropriated by  
10 the legislature. The total outstanding amount which the board shall  
11 dispense at any time pursuant to this section shall not exceed the  
12 moneys available from the accounts. The total amount of outstanding  
13 financial assistance in Pierce, King, and Snohomish counties shall  
14 never exceed sixty percent of the total amount of outstanding financial  
15 assistance disbursed by the board under this chapter without reference  
16 to financial assistance provided under RCW 43.160.220.

17       (2) On contracts made for public facilities loans the board shall  
18 determine the interest rate which loans shall bear. The interest rate  
19 shall not exceed ten percent per annum. The board may provide  
20 reasonable terms and conditions for repayment for loans, including  
21 partial forgiveness of loan principal and interest payments on projects  
22 located in rural counties or rural natural resources impact areas, as  
23 the board determines. The loans shall not exceed twenty years in  
24 duration.

25       (3) Repayments of loans made from the public facilities  
26 construction loan revolving account under the contracts for public  
27 facilities construction loans shall be paid into the public facilities  
28 construction loan revolving account. Repayments of loans made from the  
29 distressed county public facilities construction loan account under the  
30 contracts for public facilities construction loans shall be paid into  
31 the distressed county public facilities construction loan account.  
32 Repayments of loans from moneys from the new appropriation from the  
33 public works assistance account for the fiscal biennium ending June 30,  
34 1999, shall be paid into the public works assistance account.

35       (4) When every feasible effort has been made to provide loans and  
36 loans are not possible, the board may provide grants upon finding that  
37 unique circumstances exist.



1       **Sec. 105.** RCW 43.160.076 and 1998 c 321 s 28 (Referendum Bill No.  
2 49) and 1998 c 55 s 4 are each reenacted and amended to read as  
3 follows:

4       (1) Except as authorized to the contrary under subsection (2) of  
5 this section, from all funds available to the board for financial  
6 assistance in a biennium under this chapter without reference to  
7 financial assistance provided under RCW 43.160.220, the board shall  
8 spend at least seventy-five percent for financial assistance for  
9 projects in (~~(distressed)~~) rural counties or rural natural resources  
10 impact areas. (~~(For purposes of this section, the term "distressed~~  
11 ~~counties" includes any county, in which the average level of~~  
12 ~~unemployment for the three years before the year in which an~~  
13 ~~application for financial assistance is filed, exceeds the average~~  
14 ~~state unemployment for those years by twenty percent.)~~)

15       (2) If at any time during the last six months of a biennium the  
16 board finds that the actual and anticipated applications for qualified  
17 projects in (~~(distressed)~~) rural counties or rural natural resources  
18 impact areas are clearly insufficient to use up the seventy-five  
19 percent allocation under subsection (1) of this section, then the board  
20 shall estimate the amount of the insufficiency and during the remainder  
21 of the biennium may use that amount of the allocation for financial  
22 assistance to projects not located in (~~(distressed)~~) rural counties or  
23 rural natural resources impact areas.

24       (~~(3) This section expires June 30, 2000.~~)

25       **Sec. 106.** RCW 43.160.900 and 1993 c 320 s 8 are each amended to  
26 read as follows:

27       (1) The community economic revitalization board shall report to the  
28 appropriate standing committees of the legislature biennially on the  
29 implementation of this chapter. The report shall include information  
30 on the number of applications for community economic revitalization  
31 board assistance, the number and types of projects approved, the grant  
32 or loan amount awarded each project, the projected number of jobs  
33 created or retained by each project, the actual number of jobs created  
34 or retained by each project, the amount of state and local tax revenue  
35 generated by projects funded under this chapter, the number of  
36 delinquent loans, and the number of project terminations. The report  
37 may also include additional performance measures and recommendations

1 for programmatic changes. The first report shall be submitted by  
2 December 1, 1994.

3 (2) The joint legislative audit and review committee shall conduct  
4 performance reviews on the effectiveness of the program administered by  
5 the board under this chapter. The committee may contract for services  
6 to conduct the performance reviews. The costs for the performance  
7 reviews shall be paid from repayments of principal and interest on  
8 loans made under this chapter. The performance reviews shall be  
9 submitted to the appropriate committees of the legislature by December  
10 1, 2000, December 1, 2004, and December 1, 2008.

11 **Sec. 107.** RCW 43.160.200 and 1996 c 51 s 9 are each amended to  
12 read as follows:

13 (1) The economic development account is created within the public  
14 facilities construction loan revolving fund under RCW 43.160.080.  
15 Moneys in the account may be spent only after appropriation.  
16 Expenditures from the account may be used only for the purposes of RCW  
17 43.160.010(~~((+3))~~) (5) and this section. The account is subject to  
18 allotment procedures under chapter 43.88 RCW.

19 (2) Applications under this section for assistance from the  
20 economic development account are subject to all of the applicable  
21 criteria set forth under this chapter, as well as procedures and  
22 criteria established by the board, except as otherwise provided.

23 (3) Eligible applicants under this section are limited to political  
24 subdivisions of the state in rural natural resources impact areas  
25 (~~((that demonstrate, to the satisfaction of the board, the local~~  
26 ~~economy's dependence on the forest products and salmon fishing~~  
27 ~~industries))~~) and rural counties.

28 (4) Applicants must demonstrate that their request is part of an  
29 economic development plan consistent with applicable state planning  
30 requirements. Applicants must demonstrate that tourism projects have  
31 been approved by the local government. Industrial projects must be  
32 approved by the local government and the associate development  
33 organization.

34 (5) Publicly owned projects may be financed under this section upon  
35 proof by the applicant that the public project is a necessary component  
36 of, or constitutes in whole, a tourism project.

1 (6) Applications must demonstrate local match and participation.  
2 Such match may include: Land donation, other public or private funds  
3 or both, or other means of local commitment to the project.

4 (7) Board financing for project-specific environmental, capital  
5 facilities, land use, permitting, feasibility and marketing studies and  
6 plans; project engineering, design, and site planning and analysis; and  
7 project debt and revenue impact analysis shall not exceed ~~((twenty-~~  
8 ~~five))~~ fifty thousand dollars per study. Board funds for ~~((feasibility~~  
9 ~~studies))~~ these purposes may be provided as a grant and require a  
10 ~~((dollar for dollar))~~ match ~~((with up to one half in-kind match~~  
11 ~~allowed))~~.

12 (8) Board financing for tourism projects shall not exceed two  
13 hundred fifty thousand dollars. Other public facility construction  
14 projects under this section shall not exceed ~~((five hundred thousand))~~  
15 one million dollars. Loans with flexible terms and conditions to meet  
16 the needs of the applicants shall be provided. Grants may also be  
17 authorized, but only when, and to the extent that, a loan is not  
18 reasonably possible, given the limited resources of the political  
19 subdivision.

20 (9) The board shall develop guidelines for allowable local match  
21 and ~~((feasibility studies))~~ planning and predevelopment activities.

22 (10) The board may allow de minimis general system improvements to  
23 be funded if they are critically linked to the viability of the  
24 economic development project assisted under this section.

25 (11) Applications under this section need not demonstrate evidence  
26 that specific private development or expansion is ready to occur or  
27 will occur if funds are provided.

28 ~~((11))~~ (12) The board shall establish guidelines for providing  
29 financial assistance under this section to ensure that the requirements  
30 of this chapter are complied with. The guidelines shall include:

31 (a) A process to equitably compare and evaluate applications from  
32 competing communities.

33 (b) Criteria to ensure that approved projects will have a high  
34 probability of success and are likely to provide long-term economic  
35 benefits to the community. The criteria shall include: (i) A minimum  
36 amount of local participation, determined by the board per application,  
37 to verify community support for the project; (ii) an analysis that  
38 establishes the project is feasible using standard economic principles;

1 and (iii) an explanation from the applicant regarding how the project  
2 is consistent with the communities' economic strategy and goals.

3 (c) A method of evaluating the impact of the financial assistance  
4 on the economy of the community and whether the financial assistance  
5 achieved its purpose.

6 **PART II**  
7 **HOUSING**

8 **Increasing the Housing Finance Commission's Debt Limit**

9 **Sec. 201.** RCW 43.180.160 and 1996 c 310 s 2 are each amended to  
10 read as follows:

11 The total amount of outstanding indebtedness of the commission may  
12 not exceed (~~two~~) three billion dollars at any time. The calculation  
13 of outstanding indebtedness shall include the initial principal amount  
14 of an issue and shall not include interest that is either currently  
15 payable or that accrues as a part of the face amount of an issue  
16 payable at maturity or earlier redemption. Outstanding indebtedness  
17 shall not include notes or bonds as to which the obligation of the  
18 commission has been satisfied and discharged by refunding or for which  
19 payment has been provided by reserves or otherwise.

20 NEW SECTION. **Sec. 202.** A new section is added to chapter 43.63A  
21 RCW to read as follows:

22 The department shall establish and administer a "one-stop  
23 clearinghouse" to coordinate state assistance for growers and nonprofit  
24 organizations in developing housing for agricultural employees.  
25 Growers, housing authorities, and nonprofit organizations shall have  
26 direct access to the one-stop clearinghouse. The department one-stop  
27 clearinghouse shall provide assistance on planning and design, building  
28 codes, temporary worker housing regulations, financing options, and  
29 management to growers and nonprofit organizations interested in  
30 farmworker construction. The department one-stop clearinghouse shall  
31 also provide educational materials and services to local government  
32 authorities on Washington state law concerning farmworker housing.

PART III  
DISTRESSED AREA TAX INCENTIVES  
Distressed Area Sales and Use Tax Deferral

**Sec. 301.** RCW 82.60.020 and 1996 c 290 s 4 are each amended to read as follows:

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

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

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

(3) "Eligible area" means: (a) ~~A ((county in which the average level of unemployment for the three years before the year in which an application is filed under this chapter exceeds the average state unemployment for those years by twenty percent; (b) a county that has a median household income that is less than seventy five percent of the state median household income for the previous three years; (c) a metropolitan statistical area, as defined by the office of federal statistical policy and standards, United States department of commerce, in which the average level of unemployment for the calendar year immediately preceding the year in which an application is filed under this chapter exceeds the average state unemployment for such calendar year by twenty percent; (d) a designated community empowerment zone approved under RCW 43.63A.700 or a county containing such a community empowerment zone; (e) a town with a population of less than twelve hundred persons in those counties that are not covered under (a) of this subsection that are timber impact areas as defined in RCW 43.31.601; (f) a county designated by the governor as an eligible area under RCW 82.60.047; or (g) a county that is contiguous to a county that qualifies as an eligible area under (a) or (f) of this subsection))~~ county with fewer than one hundred persons per square mile as determined annually by the office of financial management and published by the department of revenue effective for the period July 1st through June 30th; or (b) an area within a county, which area: (i) Is composed of contiguous census tracts; (ii) has a minimum population of five thousand persons; (iii) has at least seventy percent of its families and unrelated individuals with incomes below eighty percent of the county's median income for families and unrelated individuals; and (iv) has an unemployment rate which is at least forty percent higher

1 than the county's unemployment rate. For purposes of this definition,  
2 "families and unrelated individuals" has the same meaning that is  
3 ascribed to that term by the federal department of housing and urban  
4 development in its regulations authorizing action grants for economic  
5 development and neighborhood revitalization projects.

6 (4)(a) "Eligible investment project" means(~~(:~~

7 ~~(i)) an investment project in an eligible area as defined in~~  
8 ~~subsection (3)((a), (b), (c), (e), or (f)) of this section(~~(:~~or~~

9 ~~(ii) That portion of an investment project in an eligible area as~~  
10 ~~defined in subsection (3)(d) or (g) of this section which is directly~~  
11 ~~utilized to create at least one new full-time qualified employment~~  
12 ~~position for each three hundred thousand dollars of investment on which~~  
13 ~~a deferral is requested in an application approved before July 1, 1994,~~  
14 ~~and for each seven hundred fifty thousand dollars of investment on~~  
15 ~~which a deferral is requested in an application approved after June 30,~~  
16 ~~1994)).~~

17 (b) The lessor/owner of a qualified building is not eligible for a  
18 deferral unless the underlying ownership of the buildings, machinery,  
19 and equipment vests exclusively in the same person, or unless the  
20 lessor by written contract agrees to pass the economic benefit of the  
21 deferral to the lessee in the form of reduced rent payments.

22 (c) (~~For purposes of (a)(ii) of this subsection:~~

23 ~~(i) The department shall consider the entire investment project,~~  
24 ~~including any investment in machinery and equipment that otherwise~~  
25 ~~qualifies for exemption under RCW 82.08.02565 or 82.12.02565, for~~  
26 ~~purposes of determining the portion of the investment project that~~  
27 ~~qualifies for deferral as an eligible investment project; and~~

28 ~~(ii) The number of new full-time qualified employment positions~~  
29 ~~created by an investment project shall be deemed to be reduced by the~~  
30 ~~number of full-time employment positions maintained by the recipient in~~  
31 ~~any other community in this state that are displaced as a result of the~~  
32 ~~investment project.~~

33 ~~(d)) "Eligible investment project" does not include any portion of~~  
34 ~~an investment project undertaken by a light and power business as~~  
35 ~~defined in RCW 82.16.010(5), other than that portion of a cogeneration~~  
36 ~~project that is used to generate power for consumption within the~~  
37 ~~manufacturing site of which the cogeneration project is an integral~~  
38 ~~part, or investment projects which have already received deferrals~~  
39 ~~under this chapter.~~

1 (5) "Investment project" means an investment in qualified buildings  
2 or qualified machinery and equipment, including labor and services  
3 rendered in the planning, installation, and construction of the  
4 project.

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

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

16 (8) "Qualified buildings" means construction of new structures, and  
17 expansion or renovation of existing structures for the purpose of  
18 increasing floor space or production capacity used for manufacturing  
19 and research and development activities, including plant offices and  
20 warehouses or other facilities for the storage of raw material or  
21 finished goods if such facilities are an essential or an integral part  
22 of a factory, mill, plant, or laboratory used for manufacturing or  
23 research and development. If a building is used partly for  
24 manufacturing or research and development and partly for other  
25 purposes, the applicable tax deferral shall be determined by  
26 apportionment of the costs of construction under rules adopted by the  
27 department.

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))~~) "Qualified machinery and equipment" means all new industrial  
32 and research fixtures, equipment, and support facilities that are an  
33 integral and necessary part of a manufacturing or research and  
34 development operation. "Qualified machinery and equipment" includes:  
35 Computers; software; data processing equipment; laboratory equipment;  
36 manufacturing components such as belts, pulleys, shafts, and moving  
37 parts; molds, tools, and dies; operating structures; and all equipment  
38 used to control or operate the machinery.

1       (~~(11)~~) (10) "Recipient" means a person receiving a tax deferral  
2 under this chapter.

3       (~~(12)~~) (11) "Research and development" means the development,  
4 refinement, testing, marketing, and commercialization of a product,  
5 service, or process before commercial sales have begun. As used in  
6 this subsection, "commercial sales" excludes sales of prototypes or  
7 sales for market testing if the total gross receipts from such sales of  
8 the product, service, or process do not exceed one million dollars.

9       **Sec. 302.** RCW 82.60.040 and 1997 c 156 s 5 are each amended to  
10 read as follows:

11       (1) The department shall issue a sales and use tax deferral  
12 certificate for state and local sales and use taxes due under chapters  
13 82.08, 82.12, and 82.14 RCW on each eligible investment project that(~~(13)~~

14       ~~(a))~~ is located in an eligible area as defined in RCW  
15 82.60.020(~~(3) (a), (b), (c), (e), or (f);~~

16       ~~(b) Is located in an eligible area as defined in RCW~~  
17 ~~82.60.020(3)(g) if seventy five percent of the new qualified employment~~  
18 ~~positions are to be filled by residents of a contiguous county that is~~  
19 ~~an eligible area as defined in RCW 82.60.020(3) (a) or (f); or~~

20       ~~(c) Is located in an eligible area as defined in RCW~~  
21 ~~82.60.020(3)(d) if seventy five percent of the new qualified employment~~  
22 ~~positions are to be filled by residents of a designated community~~  
23 ~~empowerment zone approved under RCW 43.63A.700 located within the~~  
24 ~~county in which the eligible investment project is located)).~~

25       (2) The department shall keep a running total of all deferrals  
26 granted under this chapter during each fiscal biennium.

27       (3) This section expires July 1, 2004.

28       **Sec. 303.** RCW 82.60.070 and 1995 1st sp.s. c 3 s 9 are each  
29 amended to read as follows:

30       (1) (~~(Each recipient of a deferral granted under this chapter prior~~  
31 ~~to July 1, 1994, shall submit a report to the department on December~~  
32 ~~31st of each year during the repayment period until the tax deferral is~~  
33 ~~repaid.)) Each recipient of a deferral granted under this chapter~~  
34 after June 30, 1994, shall submit a report to the department on  
35 December 31st of the year in which the investment project is certified  
36 by the department as having been operationally completed, and on  
37 December 31st of each of the seven succeeding calendar years. The



1 report shall contain information, as required by the department, from  
2 which the department may determine whether the recipient is meeting the  
3 requirements of this chapter. If the recipient fails to submit a  
4 report or submits an inadequate report, the department may declare the  
5 amount of deferred taxes outstanding to be immediately assessed and  
6 payable.

7 (2) If, on the basis of a report under this section or other  
8 information, the department finds that an investment project is not  
9 eligible for tax deferral under this chapter (~~for reasons other than~~  
10 ~~failure to create the required number of qualified employment~~  
11 ~~positions)), the amount of deferred taxes outstanding for the project~~  
12 shall be immediately due.

13 (3) (~~If, on the basis of a report under this section or other~~  
14 ~~information, the department finds that an investment project for which~~  
15 ~~a deferral has been granted under this chapter prior to July 1, 1994,~~  
16 ~~has been operationally complete for three years and has failed to~~  
17 ~~create the required number of qualified employment positions, the~~  
18 ~~department shall assess interest, but not penalties, on the deferred~~  
19 ~~taxes for the project. The interest shall be assessed at the rate~~  
20 ~~provided for delinquent excise taxes, shall be assessed retroactively~~  
21 ~~to the date of deferral, and shall accrue until the deferred taxes are~~  
22 ~~repaid.~~

23 (4) ~~If, on the basis of a report under this section or other~~  
24 ~~information, the department finds that an investment project for which~~  
25 ~~a deferral has been granted under this chapter after June 30, 1994, has~~  
26 ~~been operationally complete for three years and has failed to create~~  
27 ~~the required number of qualified employment positions, the amount of~~  
28 ~~taxes not eligible for deferral shall be immediately due. The~~  
29 ~~department shall assess interest at the rate provided for delinquent~~  
30 ~~excise taxes, but not penalties, retroactively to the date of deferral.~~

31 (5) ~~If, on the basis of a report under this section or other~~  
32 ~~information, the department finds that an investment project qualifying~~  
33 ~~for deferral under RCW 82.60.040(1) (b) or (c) has failed to comply~~  
34 ~~with any requirement of RCW 82.60.045 for any calendar year for which~~  
35 ~~reports are required under subsection (1) of this section, twelve and~~  
36 ~~one-half percent of the amount of deferred taxes shall be immediately~~  
37 ~~due. The department shall assess interest at the rate provided for~~  
38 ~~delinquent excise taxes, but not penalties, retroactively to the date~~  
39 ~~of deferral.~~

1       ~~(6))~~) Notwithstanding any other subsection of this section,  
2 deferred taxes need not be repaid on machinery and equipment for lumber  
3 and wood products industries, and sales of or charges made for labor  
4 and services, of the type which qualifies for exemption under RCW  
5 82.08.02565 or 82.12.02565 to the extent the taxes have not been repaid  
6 before July 1, 1995.

7       ~~((7))~~) (4) Notwithstanding any other subsection of this section,  
8 deferred taxes on the following need not be repaid:

9       (a) Machinery and equipment, and sales of or charges made for labor  
10 and services, which at the time of purchase would have qualified for  
11 exemption under RCW 82.08.02565; and

12       (b) Machinery and equipment which at the time of first use would  
13 have qualified for exemption under RCW 82.12.02565.

14       NEW SECTION.   **Sec. 304.**   A new section is added to chapter 82.60  
15 RCW to read as follows:

16       (1) For the purposes of this section:

17       (a) "Eligible area" also means a designated community empowerment  
18 zone approved under RCW 43.63A.700 or a county containing such a  
19 community empowerment zone.

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

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

28       (a) The applicant will hire at least one qualified employment  
29 position for each two hundred fifty thousand dollars of investment on  
30 which a deferral is requested; and

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

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

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

7 **Distressed Area Business and Occupation Tax Job Credit**

8 **Sec. 305.** RCW 82.62.010 and 1996 c 290 s 5 are each amended to  
9 read as follows:

10 Unless the context clearly requires otherwise, the definitions in  
11 this section apply throughout this chapter.

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

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

15 (3) "Eligible area" means(~~(:—(a) A county in which the average~~  
16 ~~level of unemployment for the three years before the year in which an~~  
17 ~~application is filed under this chapter exceeds the average state~~  
18 ~~unemployment for those years by twenty percent; (b) a county that has~~  
19 ~~a median household income that is less than seventy five percent of the~~  
20 ~~state median household income for the previous three years; (c) a~~  
21 ~~metropolitan statistical area, as defined by the office of federal~~  
22 ~~statistical policy and standards, United States department of commerce,~~  
23 ~~in which the average level of unemployment for the calendar year~~  
24 ~~immediately preceding the year in which an application is filed under~~  
25 ~~this chapter exceeds the average state unemployment for such calendar~~  
26 ~~year by twenty percent; (d) a designated community empowerment zone~~  
27 ~~approved under RCW 43.63A.700; or (e) subcounty areas in those counties~~  
28 ~~that are not covered under (a) of this subsection that are timber~~  
29 ~~impact areas as defined in RCW 43.31.601)) an area as defined in RCW  
30 82.60.020.~~

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

1 employment positions at the same facility in the immediately preceding  
2 year.

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

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

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

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

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

23 (9) "Recipient" means a person receiving tax credits under this  
24 chapter.

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

31 **Sec. 306.** RCW 82.62.030 and 1997 c 366 s 5 are each amended to  
32 read as follows:

33 (1) A person shall be allowed a credit against the tax due under  
34 chapter 82.04 RCW as provided in this section. ~~((For an application~~  
35 ~~approved before January 1, 1996, the credit shall equal one thousand~~  
36 ~~dollars for each qualified employment position directly created in an~~  
37 ~~eligible business project. For an application approved on or after~~  
38 ~~January 1, 1996, the credit shall equal two thousand dollars for each~~

1 ~~qualified employment position directly created in an eligible business~~  
2 ~~project. For an application approved on or after July 1, 1997,)) The~~  
3 credit shall equal: (a) Four thousand dollars for each qualified  
4 employment position with wages and benefits greater than forty thousand  
5 dollars annually that is directly created in an eligible business(~~(-~~  
6 ~~For an application approved on or after July 1, 1997, the credit shall~~  
7 ~~equal)) and (b) two thousand dollars for each qualified employment~~  
8 position with wages and benefits less than or equal to forty thousand  
9 dollars annually that is directly created in an eligible business.

10 (2) The department shall keep a running total of all credits  
11 granted under this chapter during each fiscal year. The department  
12 shall not allow any credits which would cause the tabulation to exceed  
13 ~~((five million five hundred thousand dollars in fiscal year 1998 or~~  
14 ~~1999 or))~~ seven million five hundred thousand dollars in any fiscal  
15 year ~~((thereafter))~~. If all or part of an application for credit is  
16 disallowed under this subsection, the disallowed portion shall be  
17 carried over for approval the next fiscal year. However, the  
18 applicant's carryover into the next fiscal year is only permitted if  
19 the tabulation for the next fiscal year does not exceed the cap for  
20 that fiscal year as of the date on which the department has disallowed  
21 the application.

22 (3) No recipient may use the tax credits to decertify a union or to  
23 displace existing jobs in any community in the state.

24 (4) No recipient may receive a tax credit on taxes which have not  
25 been paid during the taxable year.

26 NEW SECTION. Sec. 307. A new section is added to chapter 82.62  
27 RCW to read as follows:

28 (1) For the purposes of this section "eligible area" also means a  
29 designated community empowerment zone approved under RCW 43.63A.700 or  
30 a county containing such a community empowerment zone.

31 (2) An eligible business project located within an eligible area as  
32 defined in this section qualifies for a credit under this chapter for  
33 those employees who at the time of hire are residents of the community  
34 empowerment zone in which the project is located, if the fifteen  
35 percent threshold is met. As used in this subsection, "resident" means  
36 the person makes his or her home in the community empowerment zone. A  
37 mailing address alone is insufficient to establish that a person is a  
38 resident for the purposes of this section.

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

3 **PART IV**

4 **ECONOMIC VITALITY COMMITTEE**

5 NEW SECTION. **Sec. 401.** (1) The legislature shall establish an ad  
6 hoc economic development group to analyze potential economic  
7 development projects of state-wide significance and recommend  
8 appropriate administrative or legislative actions.

9 (2) The group shall include one representative each from the  
10 department of community, trade, and economic development, the  
11 department of agriculture, and the department of revenue as well as two  
12 representatives from rural economic development councils appointed by  
13 the legislature.

14 (3) The group shall promote economic development and business  
15 diversification throughout the state with special attention given to  
16 the economic difficulties of rural counties.

17 (4) In order to expedite coordinated responses, the governor may  
18 direct the group to meet on an emergency basis when projects of state-  
19 wide significance arise.

20 (5) The department of community, trade, and economic development  
21 shall establish criteria to determine whether a project meets the  
22 standards of a "project of state-wide significance." These criteria  
23 may include such economic indicators as local unemployment and personal  
24 income levels and project scope indicators such as the assessed value  
25 of the project in relation to the assessed value of the county.

26 **PART V**

27 **RURAL WASHINGTON LOAN FUND**

28 NEW SECTION. **Sec. 501.** (1) The legislature finds that:

29 (a) The economic health and well-being of the state is of  
30 substantial public concern, particularly in geographic areas of high  
31 unemployment, economic stagnation, and poverty;

32 (b) The consequences of minimal economic activity and persistent  
33 unemployment and underemployment are serious threats to the safety,  
34 health, and welfare of residents of these geographic areas, decreasing

1 the value of private investments and jeopardizing the sources of public  
2 revenue;

3 (c) The economic and social interdependence of communities and the  
4 vitality of industrial and economic activity necessitates and partially  
5 depends upon preventing substantial dislocation of residents and  
6 rebuilding the diversification of the areas' economy;

7 (d) The ability to remedy problems in stagnant areas of the state  
8 is beyond the power and control of the regulatory process and influence  
9 of the state, and the ordinary operations of private enterprise,  
10 without additional governmental assistance, are insufficient to  
11 adequately remedy the problems of poverty and unemployment; and

12 (e) Revitalization of depressed communities requires stimulation of  
13 private investment, development of new business ventures, provision of  
14 capital to ventures sponsored by local organizations and capable of  
15 growth in the business markets, and assistance to viable, but  
16 underfinanced, small businesses in order to create and preserve jobs  
17 that are sustainable in the local economy.

18 (2) Therefore, the legislature declares there to be a substantial  
19 public purpose in providing capital to promote economic development and  
20 job creation in areas of economic stagnation, unemployment, and  
21 poverty. To accomplish this purpose, the legislature hereby creates  
22 the rural Washington loan fund and vests in the department of  
23 community, trade, and economic development the authority to spend  
24 federal funds to stimulate the economy of distressed areas.

25 NEW SECTION. **Sec. 502.** Unless the context clearly requires  
26 otherwise, the definitions in this section apply throughout this  
27 chapter.

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

30 (2) "Director" means the director of community, trade, and economic  
31 development.

32 (3) "Disabled person" means a person with a physical or mental  
33 impairment that substantially limits a major life activity. The  
34 impairment must be material and medically cognizable or diagnosable.  
35 The impairment must also be permanent in that it is seldom  
36 significantly corrected by medical replacement, therapy, or surgical  
37 means. Impairment does not include drug or alcohol addiction or any  
38 negative effects brought on by the use of drugs or alcohol.

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

20 (5) "Fund" means the rural Washington loan fund.

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

26 (7) "Project" means the establishment of a new or expanded business  
27 in an area, which business, when completed, will provide employment  
28 opportunities. "Project" also means the retention of an existing  
29 business in an area, which business, when completed, will provide  
30 employment opportunities.

31 (8) "Rural county" means a county with a population density of  
32 fewer than one hundred persons per square mile, as determined by the  
33 office of financial management.

34 NEW SECTION. **Sec. 503.** Subject to the restrictions contained in  
35 this chapter, the department is authorized to approve applications of  
36 local governments for federal community development block grant funds  
37 or other federal funds that the local governments would use to make  
38 loans to finance business projects within their jurisdictions.



1 Applications approved by the department under this chapter must conform  
2 to applicable federal requirements.

3 NEW SECTION. **Sec. 504.** (1) The department may approve an  
4 application providing a loan for a project only if the department finds  
5 that the project:

6 (a) Will result in creation of employment opportunities,  
7 maintenance of threatened employment, or development or expansion of  
8 business ownership by disabled persons, minorities, and women;

9 (b) Has been approved by the director as conforming to federal  
10 rules and regulations governing the spending of federal community  
11 development block grant funds or other applicable federal funds;

12 (c) Will be of public benefit and for a public purpose, and that  
13 the benefits, including increased or maintained employment, improved  
14 standard of living, employment of disadvantaged workers, and  
15 development or expansion of business ownership by disabled persons,  
16 minorities, and women, will primarily accrue to residents of the area;

17 (d) Will probably be successful; and

18 (e) Would probably not be completed without the loan because other  
19 capital or financing at feasible terms is unavailable, or because the  
20 return on investment is inadequate.

21 (2)(a) The department shall, subject to applicable federal funding  
22 criteria, give priority to applications that capitalize or recapitalize  
23 an existing or new local revolving loan fund based on criteria  
24 established by the department.

25 (b) The department shall, subject to applicable federal funding  
26 criteria, give higher priority to economic development projects that  
27 contain provisions for child care.

28 (3) The department may not approve an application that fails to  
29 provide for adequate reporting or disclosure of financial data to the  
30 department. The department may require an annual or other periodic  
31 audit of the project books.

32 (4) The department may require that the project be managed in whole  
33 or in part by a local development organization and may prescribe a  
34 management fee to be paid to that organization by the recipient of the  
35 loan or grant.

36 (5) The department shall fix the terms and rates pertaining to its  
37 loans.

1 (6) If there is more demand for loans than funds available for  
2 lending, the department shall provide loans for those projects which  
3 will lead to the greatest amount of employment or benefit to a  
4 community. In determining the "greatest amount of employment or  
5 benefit," the department shall also consider the employment which would  
6 be saved by its loan and the benefit relative to the community, not  
7 just the total number of new jobs or jobs saved.

8 (7) To the extent permitted under federal law, the department shall  
9 require applicants to provide for the transfer of all payments of  
10 principal and interest on loans to the rural Washington loan fund  
11 created under this chapter. Under circumstances where federal law does  
12 not permit the department to require the transfer, the department shall  
13 give priority to applicants who on their own volition make commitments  
14 to provide for the transfer.

15 (8) The department may not approve any application to finance or  
16 help finance a shopping mall.

17 (9) For loans not made to minority and women-owned businesses and  
18 businesses owned by disabled persons, the department shall make at  
19 least eighty percent of the appropriated funds available to projects  
20 located in distressed areas, and may make up to twenty percent  
21 available to projects located in areas not designated as distressed.

22 (10) If an objection is raised to a project on the basis of unfair  
23 business competition, the department shall evaluate the potential  
24 impact of a project on similar businesses located in the local market  
25 area. The department may deny a grant if the department determines the  
26 proposed project is not likely to result in a net increase in  
27 employment within a local market area.

28 (11) For loans to minority and women-owned businesses and  
29 businesses owned by disabled persons that do not meet the credit  
30 criteria, the department may consider nontraditional credit standards  
31 to offset past discrimination that has precluded full participation of  
32 minority or women-owned businesses or businesses owned by disabled  
33 persons in the economy. For applicants with high potential who do not  
34 meet the credit criteria, the department shall consider developing  
35 alternative borrowing methods. For applicants denied loans due to  
36 credit problems, the department shall provide financial counseling  
37 within available resources and provide referrals to credit  
38 rehabilitation services. In circumstances of competing applications,

1 the department shall give priority to members of eligible groups which  
2 previously have been least served by this fund.

3 NEW SECTION. **Sec. 505.** The department is encouraged to work with  
4 local development organizations to promote applications for loans by  
5 the fund. The department shall also provide assistance to local  
6 development organizations and local governments to identify viable  
7 projects for consideration by the department. The department shall  
8 provide technical assistance to organizations that administer local  
9 revolving loan funds regarding practices to establish sustainable  
10 operations. The department shall adopt such rules and regulations as  
11 are appropriate to carry out its authority under this chapter.

12 NEW SECTION. **Sec. 506.** The department may receive and approve  
13 applications on a monthly basis but shall receive and approve  
14 applications on at least a quarterly basis for each fiscal year. The  
15 department shall make every effort to simplify the loan process for  
16 applicants. Department staff shall process and assist in the  
17 preparation of applications. Each application shall show in detail the  
18 nature of the project, the types and numbers of jobs to be created,  
19 wages to be paid to new employees, and methods of hiring unemployed  
20 persons from the local market area. Each application must contain a  
21 credit analysis of the business to receive the loan.

22 NEW SECTION. **Sec. 507.** The department shall make available an  
23 amount of federal community development block grant funds equal to the  
24 amount of state funds transferred or appropriated to the department for  
25 purposes of supplementing the department's block grant funds.

26 NEW SECTION. **Sec. 508.** The department may make grants of state  
27 funds to local governments that qualify as entitlement communities  
28 under the federal law authorizing community development block grants.  
29 These grants may be made only on condition that the entitlement  
30 community provide the department with assurances that the entitlement  
31 community will: (1) Spend the grant moneys for purposes and in a  
32 manner satisfying state constitutional requirements; (2) spend the  
33 grant moneys for purposes and in a manner satisfying federal  
34 requirements; and (3) spend at least the same amount of the grant for

1 loans to businesses from the federal funds received by the entitlement  
2 community.

3 NEW SECTION. **Sec. 509.** There is established the rural Washington  
4 loan fund, which shall be an account in the state treasury. The rural  
5 Washington loan fund shall include revenue from the sources established  
6 by this chapter, appropriations by the legislature, federal funds,  
7 private contributions, all loan payments of principal and interest that  
8 are transferred under section 504 of this act, and all other sources.  
9 Moneys in the account may be spent only after legislative appropriation  
10 for loans or grants under this chapter. Any expenditures of federal  
11 moneys must conform to applicable federal law.

12 NEW SECTION. **Sec. 510.** (1) The department shall develop  
13 guidelines for rural Washington loan funds to be used to fund local  
14 economic development revolving loan funds. The department shall  
15 consider the selection process for grantees, loan quality criteria,  
16 legal and regulatory issues, and ways to minimize duplication between  
17 development loan funds and local economic development revolving loan  
18 funds.

19 (2) The department may make loans or grants from the rural  
20 Washington loan fund to local governments to capitalize new, or to  
21 recapitalize existing, economic development revolving loan funds in  
22 distressed areas.

23 NEW SECTION. **Sec. 511.** The department shall develop performance  
24 standards for judging the effectiveness of the program including, to  
25 the extent possible, examining the effectiveness of loans or grants  
26 with regard to:

- 27 (1) Creation of jobs for individuals of low and moderate income;  
28 (2) Retention of existing employment;  
29 (3) Creation of new employment opportunities;  
30 (4) Diversification of the economic base of local communities;  
31 (5) Establishment of employee cooperatives;  
32 (6) Providing assistance in cases of employee buyouts of firms to  
33 prevent the loss of existing employment; and  
34 (7) The degree of risk assumed by the rural Washington loan fund,  
35 with emphasis on loans that did not receive financing from commercial  
36 lenders, but that are considered financially sound.

1 NEW SECTION. **Sec. 512.** Any funds appropriated by the legislature  
2 to the rural Washington loan fund for purposes of the timber recovery  
3 act shall be used for development loans in rural natural resources  
4 impact areas as defined in RCW 43.31.601.

5 NEW SECTION. **Sec. 513.** Subject to the restrictions contained in  
6 this chapter, the department is authorized to approve applications of  
7 minority and women-owned businesses for loans or loan guarantees from  
8 the fund. Applications approved by the department under this chapter  
9 must conform to applicable federal requirements. The department shall  
10 prioritize available funds for loan guarantees rather than loans when  
11 possible. The department may enter into agreements with other public  
12 or private lending institutions to develop a joint loan guarantee  
13 program for minority and women-owned businesses. If such a program is  
14 developed, the department may provide funds, in conjunction with the  
15 other organizations, to operate the program. This section does not  
16 preclude the department from making individual loan guarantees.

17 To the maximum extent practicable, the department shall make  
18 available to minority and women-owned businesses, on an equal basis,  
19 funds available under this section. The department shall submit to the  
20 appropriate committees of the senate and house of representatives  
21 quarterly reports that detail the number of loans approved and the  
22 characteristics of the recipients by ethnic and gender groups.

23 NEW SECTION. **Sec. 514.** The department may receive gifts, grants,  
24 or endowments from public or private sources that are made from time to  
25 time, in trust or otherwise, for the use and benefit of the purposes of  
26 this chapter, and the department may spend gifts, grants, or endowments  
27 or income from the public or private sources according to their terms,  
28 unless the receipt of the gifts, grants, or endowments violates RCW  
29 42.17.710.

30 **PART VI**  
31 **REPEALED SECTIONS**

32 **Sec. 601.** RCW 43.131.386 and 1997 c 367 s 19 are each amended to  
33 read as follows:

34 The following acts or parts of acts, as now existing or hereafter  
35 amended, are each repealed, effective June 30, 2001:

1 (1) RCW 43.31.601 and 1997 c 367 s 1, 1995 c 226 s 1, 1992 c 21 s  
2 2, & 1991 c 314 s 2;  
3 (2) RCW 43.31.641 and 1997 c 367 s 6, 1995 c 226 s 4, 1993 c 280 s  
4 50, & 1991 c 314 s 7;  
5 (3) RCW 50.22.090 and (~~1995 c 226 s 5, 1993 c 316 s 10, 1992 c 47~~  
6 ~~s 2, & 1991 c 315 s 4~~) 1997 c 367 s 4;  
7 (4) (~~RCW 43.160.212 and 1996 c 168 s 4, 1995 c 226 s 6, & 1993 c~~  
8 ~~316 s 5;~~  
9 ~~(5)~~) RCW 43.63A.021 and 1997 c 367 s 5 & 1995 c 226 s 11;  
10 (~~(6)~~) (5) RCW 43.63A.600 and 1995 c 226 s 12, 1994 c 114 s 1,  
11 1993 c 280 s 77, & 1991 c 315 s 23;  
12 (~~(7)~~) (6) RCW 43.63A.440 and 1997 c 367 s 7, 1995 c 226 s 13,  
13 1993 c 280 s 74, & 1989 c 424 s 7;  
14 (~~(8)~~ RCW 43.160.200 and 1995 c 226 s 16, 1993 c 320 s 7, 1993 c  
15 ~~316 s 4, & 1991 c 314 s 23;~~  
16 ~~(9)~~) (7) RCW 28B.50.258 and 1995 c 226 s 18 & 1991 c 315 s 16;  
17 (~~(10)~~) (8) RCW 28B.50.262 and 1995 c 226 s 19 & 1994 c 282 s 3;  
18 (~~(11)~~) (9) RCW 28B.80.570 and 1997 c 367 s 14, 1995 c 226 s 20,  
19 1992 c 21 s 6, & 1991 c 315 s 18;  
20 (~~(12)~~) (10) RCW 28B.80.575 and 1995 c 269 s 1001, 1995 c 226 s  
21 21, & 1991 c 315 s 19;  
22 (~~(13)~~) (11) RCW 28B.80.580 and 1997 c 367 s 15, 1995 c 226 s 22,  
23 1993 sp.s. c 18 s 34, 1992 c 231 s 31, & 1991 c 315 s 20;  
24 (~~(14)~~) (12) RCW 28B.80.585 and 1995 c 226 s 23 & 1991 c 315 s 21;  
25 (~~(15)~~) (13) RCW 43.17.065 and 1995 c 226 s 24, 1993 c 280 s 37,  
26 1991 c 314 s 28, & 1990 1st ex.s. c 17 s 77;  
27 (~~(16)~~) (14) RCW 43.20A.750 and (~~1995 c 226 s 25, 1993 c 280 s~~  
28 ~~38, 1992 c 21 s 4, & 1991 c 153 s 28~~) 1997 c 367 s 16;  
29 (~~(17)~~) (15) RCW 43.168.140 and 1995 c 226 s 28 & 1991 c 314 s 20;  
30 (~~(18)~~) (16) RCW 50.12.270 and 1997 c 367 s 17, 1995 c 226 s 30,  
31 & 1991 c 315 s 3;  
32 (~~(19)~~) (17) RCW 50.70.010 and 1995 c 226 s 31, 1992 c 21 s 1, &  
33 1991 c 315 s 5; and  
34 (~~(20)~~) (18) RCW 50.70.020 and 1995 c 226 s 32 & 1991 c 315 s 6.

35 NEW SECTION. Sec. 602. RCW 43.160.212 (Rural natural resources  
36 impact areas--Loans for public works facilities) and 1996 c 168 s 4,  
37 1995 c 226 s 6, 1993 c 316 s 5, 1992 c 21 s 8, & 1991 c 314 s 26 are  
38 each repealed.

1        NEW SECTION.    **Sec. 603.**    1997 c 367 s 11, 1995 c 226 s 8, 1993 c  
2 316 s 7, & 1991 c 314 s 33 (uncodified) are each repealed.

3        NEW SECTION.    **Sec. 604.**    The following acts or parts of acts are  
4 each repealed:

5            (1) RCW 43.168.010 (Legislative findings and declaration) and 1985  
6 c 164 s 1;

7            (2) RCW 43.168.020 (Definitions) and 1996 c 290 s 3, 1995 c 226 s  
8 27, 1993 c 280 s 56, 1991 c 314 s 19, 1988 c 42 s 18, 1987 c 461 s 2,  
9 & 1985 c 164 s 2;

10           (3) RCW 43.168.031 (State development loan fund committee--  
11 Terminated June 30, 1994--Powers and duties transferred) and 1995 c 399  
12 s 92 & 1988 c 186 s 7;

13           (4) RCW 43.168.040 (Approval of applications for federal community  
14 development block grant funds for projects) and 1987 c 461 s 3 & 1985  
15 c 164 s 4;

16           (5) RCW 43.168.050 (Application approval--Conditions and  
17 limitations) and 1993 c 512 s 12, 1990 1st ex.s. c 17 s 74, 1989 c 430  
18 s 9, 1987 c 461 s 4, 1986 c 204 s 2, & 1985 c 164 s 5;

19           (6) RCW 43.168.060 (Staff support and other duties of department--  
20 Rules) and 1985 c 164 s 6;

21           (7) RCW 43.168.070 (Processing of applications--Contents of  
22 applications) and 1993 c 512 s 14, 1987 c 461 s 5, & 1985 c 164 s 7;

23           (8) RCW 43.168.090 (Availability of funds for committee use) and  
24 1985 c 164 s 9;

25           (9) RCW 43.168.100 (Entitlement community grants--Conditions) and  
26 1993 c 512 s 15, 1986 c 204 s 1, & 1985 c 164 s 10;

27           (10) RCW 43.168.110 (Washington state development loan fund) and  
28 1992 c 235 s 11 & 1985 c 164 s 11;

29           (11) RCW 43.168.120 (Guidelines for use of funds for existing  
30 economic development revolving loan funds--Grants to local governments  
31 to assist existing economic development revolving loan funds) and 1987  
32 c 461 s 6;

33           (12) RCW 43.168.130 (Development of performance standards) and 1998  
34 c 245 s 52 & 1987 c 461 s 7;

35           (13) RCW 43.168.140 (Rural natural resources impact areas) and 1995  
36 c 226 s 28 & 1991 c 314 s 20;

1 (14) RCW 43.168.150 (Minority and women-owned businesses--  
2 Application process--Joint loan guarantee program) and 1993 c 512 s 13;  
3 and

4 (15) RCW 43.168.900 (Severability--1985 c 164) and 1985 c 164 s 15.

5 **PART VII**

6 **MISCELLANEOUS**

7 NEW SECTION. **Sec. 701.** Part headings and subheadings used in this  
8 act are not any part of the law.

9 NEW SECTION. **Sec. 702.** Sections 501 through 514 of this act  
10 constitute a new chapter in Title 43 RCW.

11 NEW SECTION. **Sec. 703.** This act takes effect August 1, 1999.

12 NEW SECTION. **Sec. 704.** Sections 301 through 303, 305, and 306 of  
13 this act do not affect any existing right acquired or liability or  
14 obligation under the sections amended or repealed in those sections or  
15 any rule or order adopted under those sections, nor does it affect any  
16 proceeding instituted under those sections.

17 NEW SECTION. **Sec. 705.** If any provision of this act or its  
18 application to any person or circumstance is held invalid, the  
19 remainder of the act or the application of the provision to other  
20 persons or circumstances is not affected."

21 **E2SSB 5594** - H AMD

22 By Representatives Kessler and Thomas

23

24 On page 1, line 1 of the title, after "vitality;" strike the  
25 remainder of the title and insert "amending RCW 43.160.010, 43.160.020,  
26 43.160.060, 43.160.070, 43.160.900, 43.160.200, 43.180.160, 82.60.020,  
27 82.60.040, 82.60.070, 82.62.010, 82.62.030, and 43.131.386; reenacting  
28 and amending RCW 43.160.076; adding a new section to chapter 43.63A  
29 RCW; adding a new section to chapter 82.60 RCW; adding a new section to  
30 chapter 82.62 RCW; adding a new chapter to Title 43 RCW; creating new  
31 sections; repealing RCW 43.160.212, 43.168.010, 43.168.020, 43.168.031,



1 43.168.040, 43.168.050, 43.168.060, 43.168.070, 43.168.090, 43.168.100,  
2 43.168.110, 43.168.120, 43.168.130, 43.168.140, 43.168.150, and  
3 43.168.900; repealing 1997 c 367 s 11, 1995 c 226 s 8, 1993 c 316 s 7,  
4 and 1991 c 314 s 33 (uncodified); providing an effective date; and  
5 providing an expiration date."

EFFECT: (1) CERB revisions include: (i) Rural county definition, (ii) ranking criteria to include rate of return, (iii) allows partial forgiveness of repayments, (iv) JLARC study of CERB, (v) accepts TEA-21 funding for roads, (vi) adds telecommunications infrastructure, (vii) removes 20 percent grant cap, (viii) adds technology and research and development projects; and (ix) allows funding for projects that relocates from non-distressed urban area to rural counties; (2) Creates the Washington Rural Loan Fund to replace the Development Loan Fund (repealed); (3) Raises the Washington State Housing Finance Commission's available statutory outstanding debt limit from \$2 billion to \$3 billion; (4) Creates the "one-stop clearinghouse for temporary housing for agricultural workers in CTED; (5) Creates the Economic Vitality Committee to conduct review of proposed projects of state-wide significance; and (6) Revises the distressed area tax incentives for sales/use tax deferral on buildings/structures and B&O tax credits for job creation to rural counties, contiguous census tracts in a subcounty area (pockets of poverty) that meet specific population, income and unemployment criteria, and community empowerment zones and counties that contain community empowerment zones.

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