

February 23, 1999

BILL ANALYSIS

TO: Members, Committee on Economic Development, Housing, and Trade
FROM: Kenny Pittman, Research Analyst (786-7392)
RE: **HB 1476 - Encouraging reinvestment in certain communities.**

Brief Summary of Bill

- Authorizes the designation up to an additional eight Community Empowerment Zones (CEZ) by the Department of Community, Trade, and Economic Development bringing the total number of CEZ's to 13.
- Allows the Department of Community, Trade, and Economic Development to approve or disapprove proposed amendments to alter the boundaries of or to terminate the local Community Empowerment Zone.
- Requires an evaluation report on the effectiveness of the Community Empowerment Zone program by December 1, 1999 and every December 1st thereafter.

BACKGROUND:

The Community Empowerment Zone (CEZ) program was created in 1993 to encourage public and private reinvestment in designated areas of economically distressed communities. The Department of Community, Trade, and Economic Development was authorized to designate up to six areas for participation in the program by March 1, 1994. Only five cities submitted applications to have geographic areas of their jurisdictions designated as a CEZ: Seattle, Tacoma, Bremerton, Yakima, and White Center in King County.

Eligibility as a designated Community Empowerment Zone is limited to areas that (i) are designated by the local legislative authority to receive federal, state, and local assistance designed to increase economic activity in the area; (ii) have at least 51 percent of the households with incomes below 80 percent of the county median household income, adjusted for household size; (iii) have an average unemployment rate that is 20 percent higher than the average unemployment rate of the county; and (iv) have an approved 5-year plan that describes a strategy to meet the housing, infrastructure, economic development, social service, and other public facilities needs of the geographic area.

Currently, incentives available to businesses that locate in a CEZ are (i) a sales and use tax deferral/exemption on the construction of buildings and structures; (ii) a B&O tax credit for job creation by manufacturing and research and development businesses; and (iii) a B&O tax credit for job creation by businesses that provide international services.

SUMMARY:

The designation process for Community Empowerment Zones (CEZ), through the Department of Community, Trade, and Economic Development, is extended to January 1, 2001. The number of geographic areas that can be designated as a Community Empowerment Zone is increased from six to thirteen. An area that receives federal designation as an empowerment zone or enterprise community may apply to the state for dual designation under the state's CEZ program.

The Department of Community, Trade, and Economic Development is authorized to approve or disapprove proposed amendments by local governments to alter the boundaries or to terminate the designation of an area as a Community Empowerment Zone. The Department is required to monitor and submit reports on the effectiveness of the CEZ program. The first reports are due to the Governor and Legislature by December 1, 1999 and every December 1 thereafter.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: Ninety days after adjournment of session in which bill is passed.