HOUSE BILL REPORT
SHB 2460

As Passed Legislature

Title: An act relating to community empowerment zones.

Brief Description: Addressing economic revitalization.

Sponsors: By House Committee on Appropriations (originally sponsored by Representatives Gombosky, D. Sommers, Veloria, Lovick, Kessler, Kenney, Conway, Ogden, Murray, Schual-Berke, Stensen, Edmonds, Santos, Lantz, Linville, Wood and Benson).

Brief History:
  Committee Activity:
      Economic Development, Housing & Trade: 1/25/00, 1/28/00 [DP];
      Appropriations: 2/3/00, 2/5/00 [DPS].
  Floor Activity:
      Passed House: 2/10/00, 96-1.
      Senate Amended.
      Passed Senate: 3/8/00, 45-2.
      Senate Receded.
      Senate Amended.
      Passed Senate: 3/9/00, 46-0.
      House Concurred.
      Passed House: 3/9/00, 94-4.
      Passed Legislature.

Brief Summary of Substitute Bill

- Authorizes the designation of an additional Community Empowerment Zone by the Department of Community, Trade, and Economic Development to complete the six zones authorized in the original 1993 legislation.

- Allows the Department of Community, Trade, and Economic Development to approve or disapprove proposed amendments to alter the boundaries of or to terminate the designation of an area as a Community Empowerment Zone.

HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT, HOUSING & TRADE

Majority Report: Do pass. Signed by 12 members: Representatives Van Luven, Republican Co-Chair; Veloria, Democratic Co-Chair; Dunn, Republican Vice Chair; Eickmeyer, Democratic Vice Chair; Ballasiotes; Gombosky; Miloscia; Morris; Radcliff; Skinner; D. Sommers and Wolfe.

Staff: Kenny Pittman (786-7392).

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 29 members: Representatives Huff, Republican Co-Chair; H. Sommers, Democratic Co-Chair; Berlin, Republican Vice Chair; Doumit, Democratic Vice Chair; D. Schmidt, Republican Vice Chair; Alexander; Benson; Clements; Crouse; Gombosky; Grant; Kagi; Keiser; Kenney; Kessler; Lambert; Linville; Lisk; McIntire; McMorris; Mulliken; Parlette; Regala; Rockefeller; Ruderman; Sullivan; Sump; Tokuda and Wensman.

Staff: Mark Matteson (786-7145).

Background:

The Community Empowerment Zone (CEZ) program was created in 1993 to encourage public and private reinvestment in geographic areas of a local government (city, town or county) that are considered economically distressed. The Department of Community, Trade, and Economic Development (DCTED) is responsible for the administration of the CEZ program.

The designation of a geographic area as a CEZ required that the area: (1) be designated by the local legislative authority to receive federal, state, and local financial and technical assistance designed to increase economic activity in the area; (2) have at least 51 percent of the households with incomes below 80 percent of the county median household income, adjusted for household size; (3) have an average unemployment rate that is 20 percent higher than the average unemployment rate of the county; and (5) have an approved five year community empowerment plan that describes a strategy to meet the housing, infrastructure, economic development, social service, and other public facilities needs of the area.

The DCTED, in consultation with the Department of Revenue, the Employment Security Department, and the Office of Financial Management, was authorized to designate up to six geographic areas by April 1, 1994, for participation in the CEZ program. Only five local governments submitted applications to participate in the

CEZ program. The applications from the cities of Seattle, Tacoma, Bremerton, Yakima, and White Center in King County were approved.

Community Empowerment Zone Tax Incentives

Currently, there are four tax incentives targeted to firms that locate in a CEZ:

- a sales and use tax deferral/exemption for new or remodeled buildings used in manufacturing or research and development activities;

- a Business and Occupation (B&O) tax credit of $2,000 or $4,000 per new job created by manufacturing, research and development, and computer service firms;

- a Business and Occupation (B&O) tax credit of 20 percent of the amount spent on job training, up to $5,000 per firm on an annual basis, provided by the employer and designed to enhance job performance; and

- a Business and Occupation (B&O) tax credit of $3,000 per new job, for a five year period, created by firms that provide services on an international basis.

Summary of Bill:

The DCTED is authorized to accept applications from local governments to designate an additional geographic area as a CEZ. The total number of areas that can be state-designated CEZ's cannot exceed six.

Community Empowerment Zone Program Administration

The DCTED is authorized to review and either approve or disapprove requests by a local government to alter the boundaries of a CEZ. The request to alter the boundaries of a CEZ must be approved or disapproved within 60 days. A request may not be approved if it does not conform with the requirements of the CEZ programs.

The DCTED may terminate an area's designation as a CEZ, if the department issues findings stating the reason for the termination, including but not limited to a lack of commitment of resources to the CEZ by the public, private, and community-based sectors. The local government may appeal the department's findings within 60 days of the notice to terminate the area's designation as a CEZ. The DCTED may request additional applications from local governments for designation of an area as a CEZ due to the termination of an area as a CEZ.

The DCTED is required to: (1) develop indicators to measure the performance and effectiveness of the CEZ program at the local government level; (2) monitor the implementation and evaluate the effectiveness of the CEZ program; (3) provide information and appropriate assistance to persons desiring to locate and operate a business in a CEZ; and (4) work with appropriate state agencies to coordinate the delivery of programs in a CEZ.

A local government is required to designate an officer or employee as the CEZ administrator to act as the liaison between the local government, the department, the business community, and labor and community-based organizations within the CEZ.

Community Empowerment Zone Tax Incentives

The tax incentives targeted to firms that locate in a community empowerment zone that is approved after January 1, 2000, are limited to B&O tax credits for job creation, employer-provided job training, and job creation in the area of international services.

Appropriation: None.

Fiscal Note: Available.

Effective Date: Ninety days after adjournment of session in which bill is passed. However, the bill is null and void unless funded in the budget.

Testimony For: (Economic Development, Housing & Trade) Economic growth is not a political issue, but one that is vital for all areas of the state. The approach to economic development that the community empowerment zone uses will focus public, private, and community efforts and resources to a targeted geographic area. The revisions to the program will help in the evaluation of its effectiveness and provide needed feedback to both the community and the Legislature.

(Appropriations) This proposal is the result of a look at how the CEZ program has operated since 1993. Since that time, there has been no report on the effectiveness of the program. The proposed changes would add accountability to see whether the program incentives are having the intended effect for those areas designated as CEZs. This is not a partisan issue and the proposal would allow one additional area to benefit.

Testimony Against: (Economic Development, Housing & Trade) None.

(Appropriations) None.

Testified: (Economic Development, Housing & Trade) Representative Gombosky, prime sponsor; Representative D. Sommers; and Todd Mielke, Spokane Area Chamber of Commerce.

(Appropriations) Representative Jeff Gombosky, prime sponsor; and Representative Duane Sommers.