

HOUSE BILL ANALYSIS HB 2460

Title: An act relating to community empowerment zones.

Brief Description: Addressing economic revitalization.

Sponsors: Representatives Gombosky, D. Sommers, Veloria, Lovick, Kessler, Kenney, Conway, Ogden, Murray, Schual-Berke, Stensen, Edmonds, Santos, Lantz, Linville, Wood and Benson.

BRIEF SUMMARY OF BILL

- Authorizes the designation up to the originally authorized six Community Empowerment Zones by the Department of Community, Trade, and Economic Development.
- 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.
- Requires an evaluation report on the effectiveness of the Community Empowerment Zone program by December 1, 2000, and every December 1st thereafter.

HOUSE ECONOMIC DEVELOPMENT, HOUSING & TRADE COMMITTEE

Staff: Kenny Pittman (786-7392)

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 5-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 Department of Community, Trade, and Economic Development (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 approved applications were 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, 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 5-year period, created by firms that provide services on an international basis.

Summary of Bill:

The Department of Community, Trade, and Economic Development (DCTED) is authorized to accept applications from local governments to designate an additional geographic area as a Community Empowerment Zone (CEZ). The number of areas that can be designated as a CEZ cannot exceed six.

Community Empowerment Zone Program Administration

The Department of Community, Trade, and Economic Development (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) make recommendations on legislative changes to the Governor and legislature by December 1, 2000, and every December 1st thereafter; (4) provide information and appropriate assistance to persons desiring to locate and operate a business in a CEZ; and (5) 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 available to firms in the existing five CEZ's would be available to firms that locate in the additional CEZ.

Appropriation: None.

Fiscal Note: Requested January 19, 2000.

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