

## CHAPTER 42

[Engrossed Second Substitute House Bill No. 1835]  
 TRI-CITIES—ECONOMIC DIVERSIFICATION

AN ACT Relating to economic diversification in the Tri-Cities region; amending RCW 82.60.020, 82.62.010, and 43.168.020; adding a new section to chapter 4.24 RCW; creating new sections; making appropriations; providing an expiration date; and declaring an emergency.

Be it enacted by the Legislature of the State of Washington:

NEW SECTION, Sec. 1. The legislature finds that:

(1) Cutbacks in federal funds and programs to the Tri-Cities pose a substantial threat to the region and the state with massive lay-offs, loss of personal income, and declines in state revenues;

(2) The Tri-Cities is of critical significance to the state because of its leading role in the nuclear industry and its concentration of excellent scientists and engineers. Because of the presence of this highly trained workforce, this region requires a special state effort to diversify the local economy;

(3) There are key opportunities to broaden the economic base in the Tri-Cities including agriculture, high-technology, tourism, and regional exports;

(4) A coordinated state, local, and private sector effort offers the greatest potential to promote economic diversification and to provide support for new projects within the region; and

(5) Economic diversification efforts in the Tri-Cities area may bring to the area new industries which use hazardous and toxic chemicals. Concerns about the accidental release of such chemicals can inhibit economic development efforts. The legislature finds that local emergency response planning may mitigate environmental impacts of economic development efforts. Congress enacted legislation to coordinate emergency response planning efforts and directed preparation of local emergency response plans. The legislature further finds that nongovernmental persons are reluctant to serve on local emergency planning committees due to fear of civil liability.

It is the intent of the legislature to develop comprehensive programs to provide diversified economic development and promote job creation and employment opportunities for the citizens of the Tri-Cities area.

NEW SECTION, Sec. 2. The department of trade and economic development shall begin implementation of the priority goals established by the Tri-Cities diversification study conducted under chapter 501, Laws of 1987, as follows:

(1) To retain and expand existing businesses and industries within the region;

(2) To attract businesses and industries to the region that will provide new jobs;

(3) To encourage the formation of new businesses and industries in the region; and

(4) To assist in the development of a regional infrastructure favorable to economic diversification.

In evaluating these goals, the department, in consultation with the Tri-Cities diversification board, shall determine which objectives of these priority goals are most likely to lead to economic diversification. Consideration shall be given to potential jobs and income benefits, generation of additional fiscal support, increased private sector participation, and market forces supporting the proposed objectives. The department shall consider such additional studies and governmental agencies which could support the priority goals determined under this section.

For the purposes of sections 1 through 12 of this act, "department" means the department of trade and economic development.

**NEW SECTION.** Sec. 3. (1) The sum of one million two hundred forty thousand dollars, or as much thereof as may be necessary, is appropriated for the biennium ending June 30, 1989, from the administrative contingency fund to the employment security department for the purposes of sections 1 through 12 of this act. This appropriation shall be transferred to the department of trade and economic development for the purposes of sections 1 through 12 of this act.

(2) The sum of two hundred twenty-eight thousand dollars, or as much thereof as may be necessary, is appropriated for the biennium ending June 30, 1989, from the general fund to the department of trade and economic development for the purposes of sections 1 through 12 of this act.

**NEW SECTION.** Sec. 4. (1) The department of trade and economic development shall designate a project manager within the department to facilitate the department's activities within the Tri-Cities region. This position shall be located in the Tri-Cities region. The manager's responsibilities shall include but not be limited to:

(a) Seeking to increase the use of existing state economic development programs in the Tri-Cities region;

(b) Helping to locate additional funds to be used for diversification activities;

(c) Forming committees to oversee activities within the priority areas;

(d) Coordinating evaluation of state diversification in the region;

(e) Seeking to increase the effectiveness of existing efforts to incubate new enterprises in the Tri-Cities region and to increase the resources devoted to the incubation of new enterprises;

(f) Facilitating technology transfer from the research base in the region to local businesses, including efforts to increase: The availability and accessibility of venture capital in the Tri-Cities region, especially for the early stages of enterprise development and for the expansion of existing enterprises, the accessibility of legal expertise, especially in regard to licenses

and patents, and the identification of and assistance to entrepreneurs with expertise in managing new product development; and

(g) Increasing the availability and coordination of resources devoted to the expansion, development, and modernization of enterprises in existing promising growth areas of the Tri-Cities regional economy such as the industrial applications of advanced technology and recreational development.

(2) A maximum of seventy-five thousand dollars shall be made available for the purposes of this section.

NEW SECTION. Sec. 5. There is established the Tri-Cities diversification board. The board shall consist of fifteen members appointed by the governor, including but not limited to representatives of local businesses, labor organizations, local governments, visitor and convention bureaus, local educational institutions, local associate development organizations, the agribusiness community, and local ports. In making the appointments, the governor shall endeavor to ensure that the appointees have experience in local diversification efforts. Vacancies shall be filled in the same manner as the original appointment.

The board shall review proposals for the diversification of the Tri-Cities area presented to it by the department.

Members of the board shall receive no compensation but shall be reimbursed for travel expenses under RCW 43.03.050 and 43.03.060.

NEW SECTION. Sec. 6. (1) In carrying out the purposes of (a) through (i) of this subsection, the department shall consult with the Tri-Cities diversification board. The department shall contract with local organizations, institutions, or agencies to perform one or more of the following:

(a) Develop a regional export program to identify potential products for export from the region and facilitate their export.

(b) Develop waterfront resources to facilitate increased tourism in the area.

(c) Conduct an import substitution program to connect existing industries with local suppliers of goods and services and identify market gaps that can be filled by start-up firms.

(d) Act as team coordinator of the Tri-Cities business and job retention team. The team may ensure the provision of retention services to small businesses and their employees. The team shall have equal representation from local businesses and local labor. The team may also have representatives from local educational institutions, the private industry council, and local governments. The subcontractor shall conduct a survey of local businesses and coordinate the delivery of marketing, technical, managerial, and training assistance appropriate to client businesses and employees. The surveys shall gather information about business needs, expansion plans, relocation decisions, training needs, potential layoffs, financing needs, the

availability of financing, and other appropriate information. The subcontractor shall coordinate team efforts with the Washington ambassadors program and select appropriate marketing, management, training, and technical specialists to assist the team on either a volunteer or subcontract basis. The subcontractor shall conduct an initial assessment of firms or workforces indicating a need for assistance to determine viability, problems, skill levels, public and private costs associated with any potential business failure or layoff, the potential for preventing closure or reduction-in-force, and the potential for a change in ownership, including employee and community buy-outs. If the initial assessment indicates the need for a more thorough study of the feasibility of various options for retaining a firm, the subcontractor may contract or subcontract for such a study under the following conditions:

(i) The small business is engaged in light or heavy manufacturing, the processing of agricultural products, or transportation services;

(ii) Only one study may be funded per business; and

(iii) A maximum of twenty-five thousand dollars in funds received from the state shall be made available per study.

(e) Develop and implement a training program in marketing for small firms producing products suitable for export outside the Tri-Cities area. The program may have a variety of training formats to meet the diverse needs of the targeted firms and should include, but need not be limited to: A presentation on the value and the potential of marketing cooperatives, training programs for sales personnel, and training in the development of marketing plans as part of the overall business plan. The subcontractor may work with public and private schools of business administration in developing the curriculum and may use other subcontractors in implementing the program.

(f) Facilitate the development and operation of small business incubators. The department may subcontract with existing small business incubators in the Tri-Cities or with local governments, community organizations, or educational institutions, to:

(i) Conduct small business incubator feasibility studies;

(ii) Provide technical, managerial, financing and marketing assistance to firms inside and outside incubators;

(iii) Facilitate the creation of an equity capital fund for use by incubated firms;

(iv) Market the services offered by small business incubators and encourage local entrepreneurs to use incubator services and facilities; and

(v) Consolidate the efforts of local educational institutions, the private industry council and the local small business development center in one incubator.

(g) Operate an investment opportunities office. The subcontractor should solicit business plans from local entrepreneurs and, when necessary, assist the entrepreneurs in the development of such plans.

(h) Provide for targeted business recruiting and business development. Business development should include specialized technical or managerial assistance in fields that promote the existing strengths of the region in such areas as agricultural services and processing, the industrial applications of advanced technology, and recreation and tourism.

Specific assistance should be given to small businesses in securing federal contracts from agencies participating in the small business innovation research program.

(i) Develop or conduct such other projects or programs as are approved by the department in consultation with the Tri-Cities diversification board.

(2) The department shall establish such criteria as it deems appropriate for delivery of the services supplied under contract as provided in this section. The department shall provide training and technical assistance to the personnel of any program, team, office, or other effort provided for under this section, as appropriate. Such training and technical assistance shall be funded out of moneys provided for under sections 4 and 8 of this act.

No contract may be entered into under this section until the department has consulted with the Tri-Cities diversification board.

(3) A maximum of six hundred fifteen thousand dollars shall be made available for purposes of this section.

NEW SECTION. Sec. 7. The sum of two hundred ninety-two thousand dollars, or so much thereof as may be necessary, is appropriated from the general fund for the biennium ending June 30, 1989, to Washington State University for the following purposes:

(1) Seventy-five thousand dollars shall be used for one faculty member to research and teach at the Tri-Cities university center in the field of business development, new enterprise development, and the transfer of new technologies to commercial applications.

(2) Seventy-five thousand dollars shall be used for one faculty member to research and teach at the Tri-Cities university center in the field of agribusiness and agricultural services development.

(3) One hundred thousand dollars shall be used for faculty and equipment for wine industry research.

(4) Forty-two thousand dollars shall be used for a high-capacity telecommunications link between Washington State University and the Tri-Cities university center. Washington State University may contract with the United States department of energy's Richland laboratory for the purposes of this section.

NEW SECTION. Sec. 8. The department shall also contract with local organizations, institutions, or agencies to:

(1) Establish a Tri-Cities agribusiness development program in cooperation with the IMPACT program, the Tri-Cities industrial development council, and the agricultural extension program of Washington State University. The subcontractor's duties in operating the agribusiness development program shall include but not be limited to:

(a) Seeking to increase the utilization of existing federal, state, and local programs for agricultural development, diversification, marketing, and processing in the Tri-Cities region;

(b) Seeking to increase the coordination and effectiveness of existing federal, state, and local programs for agricultural development, diversification, marketing, and processing in the Tri-Cities region; and

(c) Undertaking efforts to promote and further the existing strengths of the Tri-Cities region in value-added agricultural processing, agricultural services, specialty agriculture, and agricultural diversification.

(2) Evaluate the means for increasing the value of the wine industry to the Tri-Cities and for the region to become a principal center for the wine industry.

No contract may be entered into under this section until the department has consulted with the Tri-Cities diversification board.

A maximum of one hundred eight thousand dollars shall be made available for purposes of this section.

NEW SECTION. Sec. 9. The department shall be responsible for oversight and implementation of all efforts under this act. The department shall be responsible for a social and economic impact assessment; coordination of the multi-agency efforts; and shall act as liaison with local governments, the federal government, financial institutions, and other private entities to address financing and other needs in the Tri-Cities. The assessment shall be submitted as part of the report in section 13 of this act.

A maximum of fifty thousand dollars shall be made available for purposes of this section.

NEW SECTION. Sec. 10. The department shall conduct a study through the Tri-Cities university center on the feasibility of using heat generated by existing nuclear facilities for commercial industrial applications, taking into consideration, and drawing from as appropriate, existing studies on heating and on other warm water uses. Any state appropriations for this study are contingent upon and shall be no more than one-third of the federal funds provided for this study. A maximum of fifty thousand dollars shall be made available for purposes of this section.

NEW SECTION. Sec. 11. (1) Through an interagency agreement with the department, the employment security department shall provide enhanced retraining, support services, and job search assistance, including an out-of-area job search and relocation component, if needed, for dislocated workers in the Tri-Cities region. For the purpose of this section "dislocated

workers" means workers in the Tri-Cities who (a) have been terminated or laid off, or received a notice of termination or lay-off from employment and are eligible for or have exhausted their entitlement to benefits under Title 50 RCW; (b) have been terminated as a result of any permanent plant closure; (c) are long-term unemployed and are unlikely to return to employment in the individual's principal occupation or previous industry because of a diminishing demand for their skills in that occupation or industry; or (d) are farmers or other self-employed individuals who have been displaced due to economic conditions or natural disasters. Training and retraining assistance shall be designed to contribute to the diversification of the economy of the Tri-Cities region or to relieve economic dislocation and distress in the Tri-Cities region resulting from the sudden and severe loss of local sources of employment.

(2) The employment security department shall consult with and may subcontract with local educational institutions, local businesses, local labor organizations, local associate development organizations, local private industry councils, local social service organizations, and local governments in carrying out this program of training and services for dislocated workers in the Tri-Cities region.

(3) Training and retraining assistance provided under sections 1 through 12 of this act should include but need not be limited to the following areas: Entrepreneurial development and training; short-term job creation; training in the incubation of new business enterprises and training at incubator facilities; agriculture, agricultural processing, and agricultural services; the industrial applications of advanced technology; recreational and tourism development; and hazardous materials clean-up.

(4) The employment security department shall subcontract with local organizations, institutions, or agencies to provide expanded services to dislocated workers, older unemployed workers, and the long-term unemployed. Such services shall be either direct or referral services to the unemployed, and should include, but need not be limited to: Credit counseling; social services including marital counseling; psychotherapy or psychological counseling; mortgage foreclosures and utilities problems counseling; drug and alcohol abuse services; and medical services

(5) The employment security department shall coordinate the services provided in this section with all other services provided by the department and with the other diversification efforts undertaken by state and local government agencies on behalf of the Tri-Cities region.

(6) Subcontractors shall conduct outreach efforts to encourage the unemployed to seek assistance.

(7) A maximum of three hundred seventy thousand dollars shall be made available for purposes of this section. These funds shall be used for

programs and services in addition to those provided by the employment security department using existing federal and state employment and training services.

(8) The department shall make every effort to procure additional federal and other moneys for the efforts enumerated in this section.

**NEW SECTION.** Sec. 12. Through an interagency agreement with the department, the department of community development shall enhance its services and programs available in the Tri-Cities. Such services and programs may include, but need not be limited to: Assisting in developing the food processing industry, agribusiness financing, loans to businesses, and the funding of diversification projects or studies.

A maximum of two hundred thousand dollars shall be made available for purposes of this section.

**NEW SECTION.** Sec. 13. The department shall report back to the legislature by December 31, 1988, on the success of activities under sections 1 through 11 of this act.

**NEW SECTION.** Sec. 14. Sections 1 through 12 of this act shall expire July 1, 1990.

**NEW SECTION.** Sec. 15. A new section is added to chapter 4.24 RCW to read as follows:

Any person who is appointed by the state emergency response commission under the authority of Sec. 301(c) of Title III of the Superfund Amendments and Reauthorization Act of 1986 (42 U.S.C. Sec. 11001) to serve on the state hazardous materials planning committee or a local emergency planning committee who, in good faith, assists in the development or review of local plans to respond to hazardous materials incidents is not liable for civil damages as a result of any act or omission in the development, review, or implementation of such plans unless the act or omission constitutes gross negligence or wilful misconduct.

Sec. 16. Section 2, chapter 232, Laws of 1985 as amended by section 12, chapter 116, Laws of 1986 and RCW 82.60.020 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; or (b) 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. Applications under this subsection (3)(b) shall be filed by April 30, 1989.

(4)(a) "Eligible investment project" means that portion of an investment project which:

(i) Is directly utilized to create at least one new full-time qualified employment position for each three hundred thousand dollars of investment on which a deferral is requested; and

(ii) Either initiates a new operation, or expands or diversifies a current operation by expanding or renovating an existing building with costs in excess of twenty-five percent of the true and fair value of the plant complex prior to improvement; or

(iii) Acquires machinery and equipment to be used for either manufacturing or research and development if the machinery and equipment is housed in a new leased structure: PROVIDED, That the lessor/owner of the structure is not eligible for a deferral unless the underlying ownership of the buildings, machinery, and equipment vests exclusively in the same person.

(b) "Eligible investment project" does not include any portion of an investment project undertaken by a light and power business as defined in RCW 82.16.010(5) or investment projects which have already received deferrals under this chapter.

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

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

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

(8) "Qualified buildings" means new structures used for manufacturing and research and development activities, including plant offices and warehouses or other facilities for the storage of raw material or finished goods if such facilities are an essential or an integral part of a factory, mill, plant, or

laboratory used for manufacturing or research and development. If a building is used partly for manufacturing or research and development and partly for other purposes, the applicable tax deferral shall be determined by apportionment of the costs of construction under rules adopted by the department.

(9) "Qualified employment position" means a permanent full-time employee employed in the eligible investment project during the entire tax year.

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

(11) "Recipient" means a person receiving a tax deferral under this chapter.

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

Sec. 17. Section 15, chapter 116, Laws of 1986 and RCW 82.62.010 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 credit 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; or (b) 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. Applications under this subsection (3)(b) shall be filed by April 30, 1989.

(4)(a) "Eligible business project" means manufacturing or research and development activities which are conducted by an applicant in an eligible area at a specific facility: PROVIDED, That the applicant's average

full-time qualified employment positions at the specific facility will be at least fifteen percent greater in the year for which the credit is being sought than the applicant's average full-time qualified employment positions at the same facility in the immediately preceding year.

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

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

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

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

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

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

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

Sec. 18. Section 2, chapter 164, Laws of 1985 as amended by section 2, chapter 461, Laws of 1987 and RCW 43.168.020 are each amended to read as follows:

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

(1) "Committee" means the Washington state development loan fund committee.

(2) "Department" means the department of community development.

(3) "Director" means the director of the department of community development.

(4) "Distressed area" means: (a) A county which has an unemployment rate which is twenty percent above the state average for the immediately previous three years; (b) 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. Applications under this subsection (4)(b) shall be filed by April 30, 1989; or ((b)) (c) 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 than the county's unemployment rate. For purposes of this definition, "families and unrelated individuals" has the same meaning that is ascribed to that term by the federal department of housing and urban development in its regulations authorizing action grants for economic development and neighborhood revitalization projects.

(5) "Fund" means the Washington state development loan fund.

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

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

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

NEW SECTION. Sec. 20. This act is necessary for the immediate preservation of the public peace, health, and safety, the support of the state government and its existing public institutions, and shall take effect immediately.

Passed the House March 10, 1988.

Passed the Senate March 10, 1988.

Approved by the Governor March 15, 1988.

Filed in Office of Secretary of State March 15, 1988.