

2SSB 5090 - H COMM AMD

By Committee on Appropriations

1 Strike everything after the enacting clause and insert the
2 following:

3 "NEW SECTION. **Sec. 1.** Washington is home to some of the world's
4 most innovative companies, researchers, entrepreneurs, and workers.
5 Talent and creativity exist in all areas of Washington, but economic
6 experience around the world shows that economic impact can be
7 particularly large where talent and resources are densely concentrated.
8 All over the world, small, specific areas are becoming focal points for
9 economic change and leadership. These areas have name recognition,
10 attract some of the best talent, and provide a strong sense of
11 community among the people who work there. Washington is home to some
12 of these areas now and needs to have more of them in the future. It is
13 the intent of the legislature that Washington support the
14 identification and promotion of innovation partnership zones to advance
15 Washington's position in the world economy. Washington is a national
16 leader in economic strategy based on clusters of industries, promoting
17 the connections among firms, suppliers, customers, and public
18 resources. Washington's innovation partnership zone strategy is an
19 extension of that policy to promote research-based firms and industries
20 in specific areas that become globally recognized as hubs of innovation
21 and expertise.

22 NEW SECTION. **Sec. 2.** A new section is added to chapter 43.330 RCW
23 to read as follows:

24 (1) The director shall designate innovation partnership zones on
25 the basis of the following criteria:

26 (a) Innovation partnership zones must have three types of
27 institutions operating within their boundaries, or show evidence of
28 planning and local partnerships that will lead to dense concentrations
29 of these institutions:

1 (i) Research capacity in the form of a university or community
2 college fostering commercially valuable research, nonprofit
3 institutions creating commercially applicable innovations, or a
4 national laboratory;

5 (ii) Dense proximity of globally competitive firms in a
6 research-based industry or industries or of individual firms with
7 innovation strategies linked to (a)(i) of this subsection. A globally
8 competitive firm may be signified through international organization
9 for standardization 9000 or 1400 certification, or other recognized
10 evidence of international success; and

11 (iii) Training capacity either within the zone or readily
12 accessible to the zone. The training capacity requirement may be met
13 by the same institution as the research capacity requirement, to the
14 extent both are associated with an educational institution in the
15 proposed zone.

16 (b) The support of a local jurisdiction, a research institution, an
17 educational institution, an industry or cluster association, a
18 workforce development council, and an associate development
19 organization, port, or chamber of commerce;

20 (c) Identifiable boundaries for the zone within which the applicant
21 will concentrate efforts to connect innovative researchers,
22 entrepreneurs, investors, industry associations or clusters, and
23 training providers. The geographic area defined should lend itself to
24 a distinct identity and have the capacity to accommodate firm growth;

25 (d) The innovation partnership zone administrator must be an
26 economic development council, port, workforce development council,
27 city, or county.

28 (2) On October 1st of each year, the director shall designate
29 innovation partnership zones on the basis of applications that meet the
30 legislative criteria, estimated economic impact of the zone, and
31 evidence of forward planning for the zone.

32 (3) Innovation partnership zones are eligible for funds and other
33 resources as provided by the legislature or at the discretion of the
34 governor.

35 (4) If the innovation partnership zone meets the other requirements
36 of the fund sources, then the zone is eligible for the following funds
37 relating to:

38 (a) The local infrastructure financing tools program;

1 (b) The sales and use tax for public facilities in rural counties;
2 and
3 (c) Job skills.

4 (5) An innovation partnership zone shall be designated as a zone
5 for a four-year period. At the end of the four-year period, the zone
6 must reapply for the designation through the department.

7 (6) The department shall convene annual information sharing events
8 for innovation partnership zone administrators and other interested
9 parties.

10 (7) An innovation partnership zone shall provide performance
11 measures as required by the director, including but not limited to
12 private investment measures, job creation measures, and measures of
13 innovation such as licensing of ideas in research institutions,
14 patents, or other recognized measures of innovation. The Washington
15 state economic development commission may review annually the
16 individual innovation partnership zone's performance measures.

17 **Sec. 3.** RCW 39.102.070 and 2006 c 181 s 205 are each amended to
18 read as follows:

19 The use of local infrastructure financing under this chapter is
20 subject to the following conditions:

21 (1) No funds may be used to finance, design, acquire, construct,
22 equip, operate, maintain, remodel, repair, or reequip public facilities
23 funded with taxes collected under RCW 82.14.048;

24 (2)(a) Except as provided in (b) of this subsection no funds may be
25 used for public improvements other than projects identified within the
26 capital facilities, utilities, housing, or transportation element of a
27 comprehensive plan required under chapter 36.70A RCW;

28 (b) Funds may be used for public improvements that are historical
29 preservation activities as defined in RCW 39.89.020;

30 (c) Funds may be used for innovation partnership zones, as provided
31 under section 2 of this act;

32 (3) The public improvements proposed to be financed in whole or in
33 part using local infrastructure financing are expected to encourage
34 private development within the revenue development area and to increase
35 the fair market value of real property within the revenue development
36 area;

1 (4) A sponsoring local government, participating local government,
2 or participating taxing district has entered or expects to enter into
3 a contract with a private developer relating to the development of
4 private improvements within the revenue development area or has
5 received a letter of intent from a private developer relating to the
6 developer's plans for the development of private improvements within
7 the revenue development area;

8 (5) Private development that is anticipated to occur within the
9 revenue development area, as a result of the public improvements, will
10 be consistent with the county-wide planning policy adopted by the
11 county under RCW 36.70A.210 and the local government's comprehensive
12 plan and development regulations adopted under chapter 36.70A RCW;

13 (6) The governing body of the sponsoring local government, and any
14 cosponsoring local government, must make a finding that local
15 infrastructure financing:

16 (a) Is not expected to be used for the purpose of relocating a
17 business from outside the revenue development area, but within this
18 state, into the revenue development area; and

19 (b) Will improve the viability of existing business entities within
20 the revenue development area;

21 (7) The governing body of the sponsoring local government, and any
22 cosponsoring local government, finds that the public improvements
23 proposed to be financed in whole or in part using local infrastructure
24 financing are reasonably likely to:

25 (a) Increase private residential and commercial investment within
26 the revenue development area;

27 (b) Increase employment within the revenue development area;

28 (c) Improve the viability of any existing communities that are
29 based on mixed-use development within the revenue development area; and

30 (d) Generate, over the period of time that the local option sales
31 and use tax will be imposed under RCW 82.14.475, state excise tax
32 allocation revenues and state property tax allocation revenues derived
33 from the revenue development area that are equal to or greater than the
34 respective state contributions made under this chapter;

35 (8) The sponsoring local government may only use local
36 infrastructure financing in areas deemed in need of economic
37 development or redevelopment within boundaries of the sponsoring local
38 government.

1 **Sec. 4.** RCW 82.14.370 and 2004 c 130 s 2 are each amended to read
2 as follows:

3 (1) The legislative authority of a rural county may impose a sales
4 and use tax in accordance with the terms of this chapter. The tax is
5 in addition to other taxes authorized by law and shall be collected
6 from those persons who are taxable by the state under chapters 82.08
7 and 82.12 RCW upon the occurrence of any taxable event within the
8 county. The rate of tax shall not exceed 0.08 percent of the selling
9 price in the case of a sales tax or value of the article used in the
10 case of a use tax, except that for rural counties with population
11 densities between sixty and one hundred persons per square mile, the
12 rate shall not exceed 0.04 percent before January 1, 2000.

13 (2) The tax imposed under subsection (1) of this section shall be
14 deducted from the amount of tax otherwise required to be collected or
15 paid over to the department of revenue under chapter 82.08 or 82.12
16 RCW. The department of revenue shall perform the collection of such
17 taxes on behalf of the county at no cost to the county.

18 (3)(a) Moneys collected under this section shall only be used to
19 finance public facilities serving economic development purposes in
20 rural counties or for innovation partnership zones, as provided under
21 section 2 of this act. The public facility must be listed as an item
22 in the officially adopted county overall economic development plan, or
23 the economic development section of the county's comprehensive plan, or
24 the comprehensive plan of a city or town located within the county for
25 those counties planning under RCW 36.70A.040. For those counties that
26 do not have an adopted overall economic development plan and do not
27 plan under the growth management act, the public facility must be
28 listed in the county's capital facilities plan or the capital
29 facilities plan of a city or town located within the county.

30 (b) In implementing this section, the county shall consult with
31 cities, towns, and port districts located within the county and the
32 associate development organization serving the county to ensure that
33 the expenditure meets the goals of chapter 130, Laws of 2004 and the
34 requirements of (a) of this subsection. Each county collecting money
35 under this section shall report to the office of the state auditor, no
36 later than October 1st of each year, a list of new projects from the
37 prior fiscal year, showing that the county has used the funds for those
38 projects consistent with the goals of chapter 130, Laws of 2004 and the

1 requirements of (a) of this subsection. Any projects financed prior to
2 June 10, 2004, from the proceeds of obligations to which the tax
3 imposed under subsection (1) of this section has been pledged shall not
4 be deemed to be new projects under this subsection.

5 (c) For the purposes of this section, (i) "public facilities" means
6 bridges, roads, domestic and industrial water facilities, sanitary
7 sewer facilities, earth stabilization, storm sewer facilities,
8 railroad, electricity, natural gas, buildings, structures,
9 telecommunications infrastructure, transportation infrastructure, or
10 commercial infrastructure, and port facilities in the state of
11 Washington; and (ii) "economic development purposes" means those
12 purposes which facilitate the creation or retention of businesses and
13 jobs in a county.

14 (4) No tax may be collected under this section before July 1, 1998.
15 No tax may be collected under this section by a county more than
16 twenty-five years after the date that a tax is first imposed under this
17 section.

18 (5) For purposes of this section, "rural county" means a county
19 with a population density of less than one hundred persons per square
20 mile or a county smaller than two hundred twenty-five square miles as
21 determined by the office of financial management and published each
22 year by the department for the period July 1st to June 30th.

23 NEW SECTION. **Sec. 5.** A new section is added to chapter 43.330 RCW
24 to read as follows:

25 (1) The Washington state economic development commission shall,
26 with the advice of an innovation partnership advisory group selected by
27 the commission, have oversight responsibility for the implementation of
28 the state's efforts to further innovation partnerships throughout the
29 state. The commission shall:

30 (a) Provide information and advice to the department of community,
31 trade, and economic development to assist in the implementation of the
32 innovation partnership zone program, including criteria to be used in
33 the selection of grant applicants for funding;

34 (b) Document clusters of companies throughout the state that have
35 comparative competitive advantage or the potential for comparative
36 competitive advantage, using the process and criteria for identifying

1 strategic clusters developed by the working group specified in
2 subsection (2) of this section;

3 (c) Conduct an innovation opportunity analysis to identify (i) the
4 strongest current intellectual assets and research teams in the state
5 focused on emerging technologies and their commercialization, and (ii)
6 faculty and researchers that could increase their focus on
7 commercialization of technology if provided the appropriate technical
8 assistance and resources;

9 (d) Based on its findings and analysis, and in conjunction with the
10 higher education coordinating board and research institutions:

11 (i) Develop a plan to build on existing, and develop new,
12 intellectual assets and innovation research teams in the state in
13 research areas where there is a high potential to commercialize
14 technologies. The commission shall present the plan to the governor
15 and legislature by December 31, 2007. The higher education
16 coordinating board shall be responsible for implementing the plan in
17 conjunction with the publicly funded research institutions in the
18 state. The plan shall address the following elements and such other
19 elements as the commission deems important:

20 (A) Specific mechanisms to support, enhance, or develop innovation
21 research teams and strengthen their research and commercialization
22 capacity in areas identified as useful to strategic clusters and
23 innovative firms in the state;

24 (B) Identification of the funding necessary for laboratory
25 infrastructure needed to house innovation research teams;

26 (C) Specification of the most promising research areas meriting
27 enhanced resources and recruitment of significant entrepreneurial
28 researchers to join or lead innovation research teams;

29 (D) The most productive approaches to take in the recruitment, in
30 the identified promising research areas, of a minimum of ten
31 significant entrepreneurial researchers over the next ten years to join
32 or lead innovation research teams;

33 (E) Steps to take in solicitation of private sector support for the
34 recruitment of entrepreneurial researchers and the commercialization
35 activity of innovation research teams; and

36 (F) Mechanisms for ensuring the location of innovation research
37 teams in innovation partnership zones;

1 (ii) Provide direction for the development of comprehensive
2 entrepreneurial assistance programs at research institutions. The
3 programs may involve multidisciplinary students, faculty,
4 entrepreneurial researchers, entrepreneurs, and investors in building
5 business models and evolving business plans around innovative ideas.
6 The programs may provide technical assistance and the support of an
7 entrepreneur-in-residence to innovation research teams and offer
8 entrepreneurial training to faculty, researchers, undergraduates, and
9 graduate students. Curriculum leading to a certificate in
10 entrepreneurship may also be offered;

11 (e) Develop performance measures to be used in evaluating the
12 performance of innovation research teams, the implementation of the
13 plan and programs under (d)(i) and (ii) of this subsection, and the
14 performance of innovation partnership zone grant recipients, including
15 but not limited to private investment measures, business initiation
16 measures, job creation measures, and measures of innovation such as
17 licensing of ideas in research institutions, patents, or other
18 recognized measures of innovation. The performance measures developed
19 shall be consistent with the economic development commission's
20 comprehensive plan for economic development and its standards and
21 metrics for program evaluation. The commission shall report to the
22 legislature and the governor by December 31, 2008, on the measures
23 developed; and

24 (f) Using the performance measures developed, perform a biennial
25 assessment and report, the first of which shall be due December 31,
26 2012, on:

27 (i) Commercialization of technologies developed at state
28 universities, found at other research institutions in the state, and
29 facilitated with public assistance at existing companies;

30 (ii) Outcomes of the funding of innovation research teams and
31 recruitment of significant entrepreneurial researchers;

32 (iii) Comparison with other states of Washington's outcomes from
33 the innovation research teams and efforts to recruit significant
34 entrepreneurial researchers; and

35 (iv) Outcomes of the grants for innovation partnership zones.
36 The report shall include recommendations for modifications of this act
37 and of state commercialization efforts that would enhance the state's
38 economic competitiveness.

1 (2) The economic development commission and the workforce training
2 and education coordinating board shall jointly convene a working group
3 to:

4 (a) Specify the process and criteria for identification of substate
5 geographic concentrations of firms or employment in an industry and the
6 industry's customers, suppliers, supporting businesses, and
7 institutions, which process will include the use of labor market
8 information from the employment security department and local labor
9 markets; and

10 (b) Establish criteria for identifying strategic clusters which are
11 important to economic prosperity in the state, considering cluster
12 size, growth rate, and wage levels among other factors.

13 NEW SECTION. **Sec. 6.** If specific funding for the purposes of
14 section 5 of this act, referencing this act by bill or chapter number,
15 is not provided by June 30, 2007, in the omnibus appropriations act,
16 this act is null and void.

17 NEW SECTION. **Sec. 7.** Section 3 of this act expires June 30,
18 2039."

19 Correct the title.

EFFECT: (1) Removes the Washington State Economic Development
Commission (ED Commission) from a role in designating an Innovation
Partnership Zone (IPZ).

(2) Adds the requirement that an IPZ have or show evidence of
planning and local partnership that will lead to dense concentrations
of research capacity, the dense proximity of globally competitive firms
in a research-based industry and training capacity.

(3) Removes references to the presence of research teams focused on
emerging technologies.

(4) Removes requirement that the IPZ applicant use labor market
data, revenue growth rate data, wage levels, and other factors to
demonstrate the presence of firms that are important to the prosperity
of the state.

(5) Removes list of eligible applicants.

(6) Authorizes the Director of the Department of Community, Trade,
and Economic Development (DCTED) to designate IPZs based on the
applicants meeting the legislative criteria, the estimated economic
impact of the IPZ, and evidence of forward planning.

(7) Specifies that so long as IPZs meet the program criteria, they may be eligible for economic development programs, including the Local Infrastructure Financing Tool (LIFT) program, the sales and use tax for economic development related public facilities in rural counties, and the Job Skills program.

(8) Removes the direction that the DCTED must assist successful IPZ grant applicants identify and access any appropriate private, federal or state program that provides funding for planning, infrastructure, technical assistance, or training.

(9) Specifies that an IPZ designation is for four years and an IPZ can reapply for designation.

(10) Directs the DCTED to convene an annual information sharing event for IPZ administrators and other interested parties.

(11) Directs IPZs to provide performance measures as required by the DCTED and must include private investment measures, job creation measures, and measures of innovation. The ED Commission may annually review these performance measures.

(12) Amends the current LIFT statute to allow funds to be used for IPZs.

(13) Amends the rural county .08 percent sales and use tax for economic development related public facilities statute to include IPZs.

(14) Removes the grant program.

(15) Adds a null and void for section 5 of the act (the Stars program).

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