

**2SSB 5090** - H COMM AMD

By Committee on Community & Economic Development & Trade

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. The director will designate  
32 an innovation partnership zone administrator in the local area.

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

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

- 1 (a) The local infrastructure financing tools program;  
2 (b) The sales and use tax for public facilities in rural counties;  
3 and

4 (c) Job skills.

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

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

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

18 NEW SECTION. **Sec. 3.** (1) The department of community, trade, and  
19 economic development, in conjunction with the Washington state economic  
20 development commission, shall conduct an innovation opportunity  
21 analysis to identify: (a) The strongest current intellectual assets  
22 and research teams in the state focused on emerging technologies and  
23 their commercialization, and (b) faculty and researchers that could  
24 increase their focus on commercialization of technology if provided the  
25 appropriate technical assistance and resources. The inventory must be  
26 completed by June 30, 2008.

27 (2) Based on its findings and analysis, and in conjunction with the  
28 higher education coordinating board and research institutions, the  
29 department of community, trade, and economic development must develop  
30 a plan to build on existing, and develop new, intellectual assets and  
31 innovation research teams in the state in research areas where there is  
32 a high potential to commercialize technologies. The department of  
33 community, trade, and economic development shall present the plan to  
34 the governor and legislature by September 1, 2008.

35 **Sec. 4.** RCW 39.102.070 and 2006 c 181 s 205 are each amended to  
36 read as follows:

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

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

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

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

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

14 (3) The public improvements proposed to be financed in whole or in  
15 part using local infrastructure financing are expected to encourage  
16 private development within the revenue development area and to increase  
17 the fair market value of real property within the revenue development  
18 area;

19 (4) A sponsoring local government, participating local government,  
20 or participating taxing district has entered or expects to enter into  
21 a contract with a private developer relating to the development of  
22 private improvements within the revenue development area or has  
23 received a letter of intent from a private developer relating to the  
24 developer's plans for the development of private improvements within  
25 the revenue development area;

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

31 (6) The governing body of the sponsoring local government, and any  
32 cosponsoring local government, must make a finding that local  
33 infrastructure financing:

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

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

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

5 (a) Increase private residential and commercial investment within  
6 the revenue development area;

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

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

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

15 (8) The sponsoring local government may only use local  
16 infrastructure financing in areas deemed in need of economic  
17 development or redevelopment within boundaries of the sponsoring local  
18 government.

19 **Sec. 5.** RCW 82.14.370 and 2004 c 130 s 2 are each amended to read  
20 as follows:

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

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

36 (3)(a) Moneys collected under this section shall only be used to  
37 finance public facilities serving economic development purposes in

1 rural counties or for innovation partnership zones, as provided under  
2 section 2 of this act. The public facility must be listed as an item  
3 in the officially adopted county overall economic development plan, or  
4 the economic development section of the county's comprehensive plan, or  
5 the comprehensive plan of a city or town located within the county for  
6 those counties planning under RCW 36.70A.040. For those counties that  
7 do not have an adopted overall economic development plan and do not  
8 plan under the growth management act, the public facility must be  
9 listed in the county's capital facilities plan or the capital  
10 facilities plan of a city or town located within the county.

11 (b) In implementing this section, the county shall consult with  
12 cities, towns, and port districts located within the county and the  
13 associate development organization serving the county to ensure that  
14 the expenditure meets the goals of chapter 130, Laws of 2004 and the  
15 requirements of (a) of this subsection. Each county collecting money  
16 under this section shall report to the office of the state auditor, no  
17 later than October 1st of each year, a list of new projects from the  
18 prior fiscal year, showing that the county has used the funds for those  
19 projects consistent with the goals of chapter 130, Laws of 2004 and the  
20 requirements of (a) of this subsection. Any projects financed prior to  
21 June 10, 2004, from the proceeds of obligations to which the tax  
22 imposed under subsection (1) of this section has been pledged shall not  
23 be deemed to be new projects under this subsection.

24 (c) For the purposes of this section, (i) "public facilities" means  
25 bridges, roads, domestic and industrial water facilities, sanitary  
26 sewer facilities, earth stabilization, storm sewer facilities,  
27 railroad, electricity, natural gas, buildings, structures,  
28 telecommunications infrastructure, transportation infrastructure, or  
29 commercial infrastructure, and port facilities in the state of  
30 Washington; and (ii) "economic development purposes" means those  
31 purposes which facilitate the creation or retention of businesses and  
32 jobs in a county.

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

37 (5) For purposes of this section, "rural county" means a county  
38 with a population density of less than one hundred persons per square

1 mile or a county smaller than two hundred twenty-five square miles as  
2 determined by the office of financial management and published each  
3 year by the department for the period July 1st to June 30th.

4 NEW SECTION. **Sec. 6.** A new section is added to chapter 43.330 RCW  
5 to read as follows:

6 (1) The Washington state economic development commission shall,  
7 with the advice of an innovation partnership advisory group selected by  
8 the commission, have oversight responsibility for the implementation of  
9 the state's efforts to further innovation partnerships throughout the  
10 state. The commission shall:

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

15 (b) Document clusters of companies throughout the state that have  
16 comparative competitive advantage or the potential for comparative  
17 competitive advantage, using the process and criteria for identifying  
18 strategic clusters developed by the working group specified in  
19 subsection (2) of this section;

20 (c) Conduct an innovation opportunity analysis to identify (i) the  
21 strongest current intellectual assets and research teams in the state  
22 focused on emerging technologies and their commercialization, and (ii)  
23 faculty and researchers that could increase their focus on  
24 commercialization of technology if provided the appropriate technical  
25 assistance and resources;

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

28 (i) Develop a plan to build on existing, and develop new,  
29 intellectual assets and innovation research teams in the state in  
30 research areas where there is a high potential to commercialize  
31 technologies. The commission shall present the plan to the governor  
32 and legislature by December 31, 2007. The higher education  
33 coordinating board shall be responsible for implementing the plan in  
34 conjunction with the publicly funded research institutions in the  
35 state. The plan shall address the following elements and such other  
36 elements as the commission deems important:

1 (A) Specific mechanisms to support, enhance, or develop innovation  
2 research teams and strengthen their research and commercialization  
3 capacity in areas identified as useful to strategic clusters and  
4 innovative firms in the state;

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

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

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

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

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

19 (ii) Provide direction for the development of comprehensive  
20 entrepreneurial assistance programs at research institutions. The  
21 programs may involve multidisciplinary students, faculty,  
22 entrepreneurial researchers, entrepreneurs, and investors in building  
23 business models and evolving business plans around innovative ideas.  
24 The programs may provide technical assistance and the support of an  
25 entrepreneur-in-residence to innovation research teams and offer  
26 entrepreneurial training to faculty, researchers, undergraduates, and  
27 graduate students. Curriculum leading to a certificate in  
28 entrepreneurship may also be offered;

29 (e) Develop performance measures to be used in evaluating the  
30 performance of innovation research teams, the implementation of the  
31 plan and programs under (d)(i) and (ii) of this subsection, and the  
32 performance of innovation partnership zone grant recipients, including  
33 but not limited to private investment measures, business initiation  
34 measures, job creation measures, and measures of innovation such as  
35 licensing of ideas in research institutions, patents, or other  
36 recognized measures of innovation. The performance measures developed  
37 shall be consistent with the economic development commission's  
38 comprehensive plan for economic development and its standards and



1 metrics for program evaluation. The commission shall report to the  
2 legislature and the governor by December 31, 2008, on the measures  
3 developed; and

4 (f) Using the performance measures developed, perform a biennial  
5 assessment and report, the first of which shall be due December 31,  
6 2012, on:

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

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

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

15 (iv) Outcomes of the grants for innovation partnership zones.

16 The report shall include recommendations for modifications of this act  
17 and of state commercialization efforts that would enhance the state's  
18 economic competitiveness.

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

22 (a) Specify the process and criteria for identification of substate  
23 geographic concentrations of firms or employment in an industry and the  
24 industry's customers, suppliers, supporting businesses, and  
25 institutions, which process will include the use of labor market  
26 information from the employment security department and local labor  
27 markets; and

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

31 NEW SECTION. **Sec. 7.** If specific funding for the purposes of  
32 section 6 of this act, referencing this act by bill or chapter number,  
33 is not provided by June 30, 2007, in the omnibus appropriations act,  
34 this act is null and void.

35 NEW SECTION. **Sec. 8.** Section 4 of this act expires June 30,  
36 2039."

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 6 of the act (the Stars program).

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