

# HOUSE BILL REPORT

## SHB 1091

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### As Passed Legislature

**Title:** An act relating to innovation partnership zones.

**Brief Description:** Promoting innovation partnership zones.

**Sponsors:** By House Committee on Community & Economic Development & Trade (originally sponsored by Representatives VanDeWege, Chase, Upthegrove, Miloscia, B. Sullivan, O'Brien, P. Sullivan, Morrell, Sells, Kenney, Rolfes, Kelley, Moeller, Wallace and Eddy; by request of Governor Gregoire).

**Brief History:**

**Committee Activity:**

Community & Economic Development & Trade: 1/24/07, 2/12/07 [DPS];  
Appropriations: 2/21/07, 2/26/07 [DPS(CEDT)].

**Floor Activity:**

Passed House: 3/8/07, 96-0.  
Senate Amended.  
Passed Senate: 4/9/07, 45-0.  
House Refused to Concur.  
Senate Insisted on Position.  
House Insisted on Position.  
Senate Amended.  
Passed Senate: 4/20/07, 48-0.  
House Concurred.  
Passed House: 4/20/07, 98-0.  
Passed Legislature.

<p style="text-align: center;"><b>Brief Summary of Substitute Bill</b></p> <ul style="list-style-type: none"><li>• Creates innovation partnership zones.</li></ul>
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### HOUSE COMMITTEE ON COMMUNITY & ECONOMIC DEVELOPMENT & TRADE

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass.  
Signed by 9 members: Representatives Kenney, Chair; Pettigrew, Vice Chair; Bailey,

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

Ranking Minority Member; McDonald, Assistant Ranking Minority Member; Chase, Darneille, Haler, Rolfes and P. Sullivan.

**Staff:** Tracey Taylor (786-7196).

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## HOUSE COMMITTEE ON APPROPRIATIONS

**Majority Report:** The substitute bill by Committee on Community & Economic Development & Trade be substituted therefor and the substitute bill do pass. Signed by 34 members: Representatives Sommers, Chair; Dunshee, Vice Chair; Alexander, Ranking Minority Member; Bailey, Assistant Ranking Minority Member; Haler, Assistant Ranking Minority Member; Anderson, Buri, Chandler, Cody, Conway, Darneille, Dunn, Ericks, Fromhold, Grant, Haigh, Hinkle, Hunt, Hunter, Kagi, Kenney, Kessler, Kretz, Linville, McDermott, McDonald, McIntire, Morrell, Pettigrew, Priest, Schual-Berke, Seaquist, P. Sullivan and Walsh.

**Staff:** Owen Rowe (786-7391).

### **Background:**

In 2006, the Governor's Global Competitiveness Council (Council) issued their report "Rising to the Challenge of Global Competition." The Council's Research and Innovation Committee (Committee) Report found that research and innovation creates a cycle of development that yields increased living standards and globally competitive businesses. The Committee and Council proposed a broad 10-year plan that connects the importance of strong research and innovation with the creation of jobs, healthy economic growth and a high standard of living and broad opportunity throughout the state's economy, reaching people of all backgrounds and in all the state's geographic locations.

### **Summary of Substitute Bill:**

Annually on October 1, the Director of the Department of Community, Trade and Economic Development (DCTED) shall designate areas within Washington as Innovation Partnership Zones (IPZ) based on a review and evaluation of applications applying the legislative criteria, the estimated economic impact of the IPZ, the evidence of forward-planning for the IPZ and other criteria recommended by the Washington State Economic Development Commission (Commission). The estimated economic impact must include evidence of anticipated private investment, job creation, innovation, and commercialization. The Director shall require evidence that IPZ applicants will promote commercialization, innovation, and collaboration among IPZe residents.

In order to be designated an IPZ, an area must have three types of institutions within their boundaries: a university or college fostering commercially valuable research, a nonprofit institution creating commercially applicable research, or a national laboratory; the dense proximity of globally competitive firms in a research-based industry or industries, or of individual firms with innovation strategies linked to a university, community college,

nonprofit institution or national laboratory; and training capacity either within the IPZ or readily accessible to the IPZ. In addition, an IPZ must have the support of a local jurisdiction, a research institution, an educational institution, an industry or cluster association, a workforce development council, and associate development organization, port, or chamber of commerce. The IPZ must also have identifiable boundaries within which an applicant will concentrate efforts to connect innovative researchers, entrepreneurs, investors, industry associations or clusters, and training providers. The geographic area defined should lend itself to a distinct identity and have the capacity to accommodate firm growth.

The designation shall be for a four-year period, after which the IPZ must reapply for the designation. The IPZ must be administered by an Economic Development Council, port, Workforce Development Council, city, or county.

If the IPZ meets the other requirements of the fund source, then the IPZ may be eligible for the Local Infrastructure Financing Tool Program, the sales and use tax for public facilities in rural counties, and the Job Skills Program.

The DCTED must convene an annual information sharing event for IPZ Administrators and other interested parties.

The IPZs are required to provide performance measures as prescribed by the DCTED. These measures must include, but are not limited to, private investment measures, job creation measures, and measures of innovation. The Commission shall annually review the individual IPZ's performance measures.

The Commission shall, with the advice of an Innovation Partnership Advisory Group selected by the Commission, have oversight responsibility for the implementation of the state's efforts to further IPZs throughout the state. The Commission must: provide information and advice to the DCTED to assist in the IPZ program implementation; document clusters of companies throughout the state that have a comparative advantage or the potential for a comparative advantage; conduct an innovation opportunity analysis to identify the strongest current intellectual assets and research teams in Washington focused on emerging technologies and their commercialization, and the faculty and researchers that could increase their focus on technology commercialization if provided assistance and resources; and based on findings and analysis, and in conjunction with the Higher Education Coordinating Board (HECB) and research institutions, develop a plan to build on existing and develop new intellectual assets and innovation research teams as well as provide direction for the development of a comprehensive entrepreneurial assistance program at research institutions. The Commission must present its plan to the Governor and the Legislature by December 31, 2007. The HECB and the publicly funded research institutions are charged with implementing the plan.

The Commission must develop performance measures to be used in the evaluation of the performance of innovation research teams, the plans and programs and the performance of the IPZ grant recipients. A biennial report to the Legislature is due beginning December 12, 2012. In addition, the Commission must convene a working group with the Workforce Training and Education Coordinating Board to create a process and criteria for identifying

substate geographic concentrations of firms or employment in an industry and the industry's customers, suppliers, and supporting businesses, and institutions. The Workgroup will also establish criteria for identifying strategic clusters which are important to the economic prosperity of the state.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill takes effect 90 days after adjournment of session in which bill is passed.

**Staff Summary of Public Testimony:** (Community & Economic Development & Trade)

(In support) This bill promotes the growth of businesses around research and to increase technology-based industries and related jobs. Local governments self-identify and may form an IPZ to help promote the already occurring natural synergy around research and business. Several states have similar programs, including North Carolina and New Jersey. The Governor has funding for grants for some IPZs in her Capital Budget; however, under this bill, an IPZ designation does not entitle an IPZ to any money.

(In support with amendments) Although implicit within the bill, an amendment to clarify that the IPZ must fit within GMA and local planning efforts should be added. In addition, the emphasis on high technology might limit other synergistic opportunities.

(Opposed) None.

**Staff Summary of Public Testimony:** (Appropriations)

(In support) The new economic reality of the world is that there are dense concentrations of economic activity that shape the regions around them. Washington has a list of targeted industries in statute, and a cluster strategy continues to evolve. What is lacking is the specific geographic targets where research institutions and companies come together. During the interim, there were six planning grants instituted in Spokane, Richland, Vancouver, Kitsap, Grays Harbor, and Seattle. The insights that came about from this process became this bill. These localities have been integrally involved in the development of this legislation and they want designation as innovation partnership zones. The Governor's Budget proposes \$5 million for five grants to be granted in a competitive process. The grants can be used for shared facilities and infrastructure. This is a one-time investment.

(Opposed) None.

**Persons Testifying:** (Community & Economic Development & Trade) (In support) Representative Van De Wege, prime sponsor; Marc Baldwin, Office of the Governor; David Kleitsch, City of Lynnwood; Bart Phillips, Columbia River Economic Development Council; and T. K. Bentler, Northwest Food Processors Council.

(In support with amendments) Kaleen Cottingham, Futurewise.

**Persons Testifying:** (Appropriations) Marc Baldwin, Office of the Governor.

**Persons Signed In To Testify But Not Testifying:** (Community & Economic Development & Trade) None.

**Persons Signed In To Testify But Not Testifying:** (Appropriations) None.