
**Technology & Economic Development
Committee**

HB 2631

Brief Description: Spurring innovation through incentivizing the use of sustainable building materials.

Sponsors: Representative Griffey.

Brief Summary of Bill

- Creates the Sustainable Building Materials Incentive Program (Incentive Program) to provide grants for sustainable tall building projects.
- Diverts up to \$5 million of Real Estate Excise Tax (REET) revenue collected on the sales of commercial buildings valued at more than \$10 million for the Incentive Program.

Hearing Date: 1/30/18

Staff: Kirsten Lee (786-7133).

Background:

State Sustainable Building Programs and Standards.

The state has a variety of programs and standards that support sustainable building for state and other projects, including the High Performance Public Buildings standards and the Department of Commerce's Evergreen Sustainable Building Standards. In addition, there are state educational programs dedicated towards sustainable design, including Washington State University's (WSU) Institute for Sustainable Design and Composite Materials and Engineering Center.

Under the High Performance Building Standards, certain public agency and school district projects funded through the Capital Budget must achieve Leadership in Energy and Environmental Design (LEED) Silver certification under the United States Green Building

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Council's LEED Rating System. LEED Silver certification means "the United States Green Building Council Leadership in Energy and Environmental Design green building rating standard." The Department of Enterprise Services and Superintendent of Public Instruction develop methods and procedures for implementation and compliance of this requirement.

The Department of Commerce's Evergreen Sustainable Building Standard requires certain green building standards for all affordable housing projects receiving capital funds from the Washington State Housing Trust Fund.

The WSU Sustainable Design Institute creates sustainable processes and designs by merging expertise in architecture, construction management, civil engineering, wood engineering, and materials discovery and processing. The WSU Composite Materials and Engineering Center develops new building materials and innovative structural systems from sustainable resources.

Real Estate Excise Tax.

The state imposes an excise tax on the sale of real property at a rate of 1.28 percent of the selling price. Most of the revenue from the real estate excise tax (REET) is deposited into the General Fund, though through 2019, certain amounts are directed to financing local public works projects and education funding. Penalties collected for delinquent payments are deposited in the state Housing Trust Fund.

Summary of Bill:

The Sustainable Building Materials Incentive Program (Incentive Program) is established within the Department of Commerce (Department) to spur innovation in the sustainable building materials sector and advance the building of tall buildings from such materials.

The Department must contract with a statewide nonprofit organization to manage and run the Incentive Program. The contract must include certain terms pertaining to the nonprofit's plans for distribution of grants for successful proposals, including:

- a description of program benefits to the public;
- a requirement that grant funds be distributed equally between the incentive applicants from the architecture and design industry and the production sector, including workforce development;
- a term including competitors from all regions of the state, including urban and rural communities; and
- length and goals of the Incentive Program.

The Incentive Program is governed by the Incentive Program Board (Board). The 12-member Board consists of the following voting members:

- one member from each of the two major caucuses of the House of Representatives (House) and one member from each of the two major caucuses of the Senate, appointed by the Speaker of the House and President of the Senate respectively; and
- nine representatives from the building industry, including representatives from architecture and design firms and building materials production sectors, appointed by the Director of the Department.

Appointments are for four years, though initial appointments are staggered between two- and four-year terms. Board members are not compensated, but may be reimbursed for expenses.

Incentive Program Account.

The Sustainable Building Materials Incentive Program Account (Account) is created in the State Treasury, as an appropriated account. Expenditures from the Account may only be made by the Department for costs associated with the Incentive Program, including contracting with a statewide nonprofit organization.

Real Estate Excise Tax.

Beginning July 1, 2018 and ending July 1, 2028, the first \$5 million of REET collected on the sales of commercial buildings valued at more than \$10 million dollars must be deposited into the Account.

Joint Legislative Audit and Review Committee.

The Joint Legislative Audit and Review Committee must evaluate the Incentive Program, and report back to the Governor and economic development committees of the Legislature by December 1, 2026, to determine the extent to which the Incentive Program recipients are spurring innovation in the development of buildings made of sustainable materials and manufacturing of sustainable materials using prescribed metrics.

Appropriation: None.

Fiscal Note: Preliminary fiscal note available.

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