

CERTIFICATION OF ENROLLMENT

HOUSE BILL 2482

Chapter 225, Laws of 2012

62nd Legislature
2012 Regular Session

INNOVATION PARTNERSHIP ZONES

EFFECTIVE DATE: 06/07/12

Passed by the House March 5, 2012
Yeas 60 Nays 38

FRANK CHOPP

Speaker of the House of Representatives

Passed by the Senate February 29, 2012
Yeas 48 Nays 1

BRAD OWEN

President of the Senate

Approved March 30, 2012, 11:47 a.m.

CHRISTINE GREGOIRE

Governor of the State of Washington

CERTIFICATE

I, Barbara Baker, Chief Clerk of the House of Representatives of the State of Washington, do hereby certify that the attached is **HOUSE BILL 2482** as passed by the House of Representatives and the Senate on the dates hereon set forth.

BARBARA BAKER

Chief Clerk

FILED

March 30, 2012

**Secretary of State
State of Washington**

HOUSE BILL 2482

AS AMENDED BY THE SENATE

Passed Legislature - 2012 Regular Session

State of Washington 62nd Legislature 2012 Regular Session

By Representatives Kenney, Finn, Ryu, Hasegawa, and Stanford

Read first time 01/16/12. Referred to Committee on Community & Economic Development & Housing.

1 AN ACT Relating to designating innovation partnership zones; and
2 amending RCW 43.330.270, 43.160.010, 43.160.020, and 82.14.370.

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

4 **Sec. 1.** RCW 43.330.270 and 2009 c 72 s 1 are each amended to read
5 as follows:

6 (1) The department (~~shall~~) must design and implement an
7 innovation partnership zone program through which the state will
8 encourage and support research institutions, workforce training
9 organizations, and globally competitive companies to work cooperatively
10 in close geographic proximity to create commercially viable products
11 and jobs.

12 (2) The director (~~shall~~) must designate innovation partnership
13 zones on the basis of the following criteria:

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

18 (i) Research capacity in the form of a university or community

1 college fostering commercially valuable research, nonprofit
2 institutions creating commercially applicable innovations, or a
3 national laboratory;

4 (ii) An industry cluster as defined in RCW 43.330.090. The cluster
5 must include a 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 sales in international ~~((success))~~ markets; 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 (3) With respect solely to the research capacity required in
29 subsection (2)(a)(i) of this section, the director may waive the
30 requirement that the research institution be located within the zone.
31 To be considered for such a waiver, an applicant must provide a
32 specific plan that demonstrates the research institution's unique
33 qualifications and suitability for the zone, and the types of jointly
34 executed activities that will be used to ensure ongoing, face-to-face
35 interaction and research collaboration among the zone's partners.

36 (4) On October 1st of each odd-numbered year, the director
37 ~~((shall))~~ must designate innovation partnership zones on the basis of
38 applications that meet the legislative criteria, estimated economic

1 impact of the zone, evidence of forward planning for the zone, and
2 other criteria as (~~recommended by~~) developed by the department in
3 consultation with the Washington state economic development commission.
4 Estimated economic impact must include evidence of anticipated private
5 investment, job creation, innovation, and commercialization. The
6 director (~~shall~~) must require evidence that zone applicants will
7 promote commercialization, innovation, and collaboration among zone
8 residents.

9 (5) Innovation partnership zones are eligible for funds and other
10 resources as provided by the legislature or at the discretion of the
11 governor.

12 (6) If the innovation partnership zone meets the other requirements
13 of the fund sources, then the zone is eligible for the following funds
14 relating to:

- 15 (a) The local infrastructure financing tools program;
- 16 (b) The sales and use tax for public facilities in rural counties;
- 17 (~~and~~)
- 18 (c) Job skills;
- 19 (d) Local improvement districts; and
- 20 (e) Community economic revitalization board projects under chapter
21 43.160 RCW.

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

25 (8) If the director finds that an applicant does not meet all of
26 the statutory criteria or additional criteria recommended by the
27 department in consultation with the Washington state economic
28 development commission to be designated as an innovation partnership
29 zone, the department must:

- 30 (a) Identify the deficiencies in the proposal and recommended steps
31 for the applicant to take to strengthen the proposal;
- 32 (b) Provide the applicant with the opportunity to appeal the
33 decision to the director; and
- 34 (c) Allow the applicant to reapply for innovation partnership
35 designation on October 1st of the following calendar year or during any
36 subsequent application cycle.

37 (9) If the director finds at any time after the initial year of
38 designation that an innovation partnership zone is failing to meet the

1 performance standards required in its contract with the department, the
2 director may withdraw such designation and cease state funding of the
3 zone.

4 ~~((9))~~ (10) The department ~~((shall))~~ must convene annual
5 information sharing events for innovation partnership zone
6 administrators and other interested parties.

7 ~~((10))~~ (11) An innovation partnership zone ~~((shall))~~ must
8 annually provide performance measures as required by the director,
9 including but not limited to private investment measures, job creation
10 measures, and measures of innovation such as licensing of ideas in
11 research institutions, patents, or other recognized measures of
12 innovation.

13 ~~((11))~~ (12) The department ~~((shall))~~ must compile a biennial
14 report on the innovation partnership zone program by December 1st of
15 every even-numbered year. The report ~~((shall))~~ must provide
16 information for each zone on its: Objectives; funding, tax incentives,
17 and other support obtained from public sector sources; major
18 activities; partnerships; performance measures; and outcomes achieved
19 since the inception of the zone or since the previous biennial report.
20 The Washington state economic development commission ~~((shall))~~ must
21 review the department's draft report and make recommendations on ways
22 to increase the effectiveness of individual zones and the program
23 overall. The department ~~((shall))~~ must submit the report, including
24 the commission's recommendations, to the governor and legislature
25 beginning December 1, 2010.

26 **Sec. 2.** RCW 43.160.010 and 2008 c 327 s 1 are each amended to read
27 as follows:

28 (1) The legislature finds that it is the public policy of the state
29 of Washington to direct financial resources toward the fostering of
30 economic development through the stimulation of investment and job
31 opportunities and the retention of sustainable existing employment for
32 the general welfare of the inhabitants of the state. Reducing
33 unemployment and reducing the time citizens remain jobless is important
34 for the economic welfare of the state. A valuable means of fostering
35 economic development is the construction of public facilities which
36 contribute to the stability and growth of the state's economic base.
37 Expenditures made for these purposes as authorized in this chapter are

1 declared to be in the public interest, and constitute a proper use of
2 public funds. A community economic revitalization board is needed
3 which shall aid the development of economic opportunities. The general
4 objectives of the board should include:

5 (a) Strengthening the economies of areas of the state which have
6 experienced or are expected to experience chronically high unemployment
7 rates or below average growth in their economies;

8 (b) Encouraging the diversification of the economies of the state
9 and regions within the state in order to provide greater seasonal and
10 cyclical stability of income and employment;

11 (c) Encouraging wider access to financial resources for both large
12 and small industrial development projects;

13 (d) Encouraging new economic development or expansions to maximize
14 employment;

15 (e) Encouraging the retention of viable existing firms and
16 employment; (~~and~~)

17 (f) Providing incentives for expansion of employment opportunities
18 for groups of state residents that have been less successful relative
19 to other groups in efforts to gain permanent employment; and

20 (g) Enhancing job and business growth through facility development
21 and other improvements in innovation partnership zones designated under
22 RCW 43.330.270.

23 (2) The legislature also finds that the state's economic
24 development efforts can be enhanced by, in certain instances, providing
25 funds to improve state highways, county roads, or city streets for
26 industries considering locating or expanding in this state.

27 (3) The legislature finds it desirable to provide a process whereby
28 the need for diverse public works improvements necessitated by planned
29 economic development can be addressed in a timely fashion and with
30 coordination among all responsible governmental entities.

31 (4) The legislature also finds that the state's economic
32 development efforts can be enhanced by, in certain instances, providing
33 funds to assist development of telecommunications infrastructure that
34 supports business development, retention, and expansion in the state.

35 (5) The legislature also finds that the state's economic
36 development efforts can be enhanced by providing funds to improve
37 markets for those recyclable materials representing a large fraction of
38 the waste stream. The legislature finds that public facilities which

1 result in private construction of processing or remanufacturing
2 facilities for recyclable materials are eligible for consideration from
3 the board.

4 (6) The legislature finds that sharing economic growth statewide is
5 important to the welfare of the state. The ability of communities to
6 pursue business and job retention, expansion, and development
7 opportunities depends on their capacity to ready necessary economic
8 development project plans, sites, permits, and infrastructure for
9 private investments. Project-specific planning, predevelopment, and
10 infrastructure are critical ingredients for economic development. It
11 is, therefore, the intent of the legislature to increase the amount of
12 funding available through the community economic revitalization board
13 and to authorize flexibility for available resources in these areas to
14 help fund planning, predevelopment, and construction costs of
15 infrastructure and facilities and sites that foster economic vitality
16 and diversification.

17 **Sec. 3.** RCW 43.160.020 and 2009 c 565 s 35 are each amended to
18 read as follows:

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

21 (1) "Board" means the community economic revitalization board.

22 (2) "Department" means the department of commerce.

23 (3) "Local government" or "political subdivision" means any port
24 district, county, city, town, special purpose district, and any other
25 municipal corporations or quasi-municipal corporations in the state
26 providing for public facilities under this chapter.

27 (4) "Public facilities" means a project of a local government or a
28 federally recognized Indian tribe for the planning, acquisition,
29 construction, repair, reconstruction, replacement, rehabilitation, or
30 improvement of: Bridges((~~τ~~)); roads((~~τ~~)); research, testing, training,
31 and incubation facilities in areas designated as innovation partnership
32 zones under RCW 43.330.270; buildings or structures; domestic and
33 industrial water, earth stabilization, sanitary sewer, storm sewer,
34 railroad, electricity, telecommunications, transportation, natural gas,
35 (~~(buildings or structures, τ)~~) and port facilities((~~τ~~)); all for the
36 purpose of job creation, job retention, or job expansion.

1 (5) "Rural county" means a county with a population density of
2 fewer than one hundred persons per square mile or a county smaller than
3 two hundred twenty-five square miles, as determined by the office of
4 financial management and published each year by the department for the
5 period July 1st to June 30th.

6 **Sec. 4.** RCW 82.14.370 and 2009 c 511 s 1 are each amended to read
7 as follows:

8 (1) The legislative authority of a rural county may impose a sales
9 and use tax in accordance with the terms of this chapter. The tax is
10 in addition to other taxes authorized by law and (~~shall~~) must be
11 collected from those persons who are taxable by the state under
12 chapters 82.08 and 82.12 RCW upon the occurrence of any taxable event
13 within the county. The rate of tax (~~shall~~) may not exceed 0.09
14 percent of the selling price in the case of a sales tax or value of the
15 article used in the case of a use tax, except that for rural counties
16 with population densities between sixty and one hundred persons per
17 square mile, the rate shall not exceed 0.04 percent before January 1,
18 2000.

19 (2) The tax imposed under subsection (1) of this section (~~shall~~)
20 must be deducted from the amount of tax otherwise required to be
21 collected or paid over to the department of revenue under chapter 82.08
22 or 82.12 RCW. The department of revenue (~~shall~~) must perform the
23 collection of such taxes on behalf of the county at no cost to the
24 county.

25 (3)(a) Moneys collected under this section (~~shall~~) may only be
26 used to finance public facilities serving economic development purposes
27 in rural counties and finance personnel in economic development
28 offices. The public facility must be listed as an item in the
29 officially adopted county overall economic development plan, or the
30 economic development section of the county's comprehensive plan, or the
31 comprehensive plan of a city or town located within the county for
32 those counties planning under RCW 36.70A.040. For those counties that
33 do not have an adopted overall economic development plan and do not
34 plan under the growth management act, the public facility must be
35 listed in the county's capital facilities plan or the capital
36 facilities plan of a city or town located within the county.

1 (b) In implementing this section, the county (~~shall~~) must consult
2 with cities, towns, and port districts located within the county and
3 the associate development organization serving the county to ensure
4 that the expenditure meets the goals of chapter 130, Laws of 2004 and
5 the requirements of (a) of this subsection. Each county collecting
6 money under this section (~~shall~~) must report, as follows, to the
7 office of the state auditor, within one hundred fifty days after the
8 close of each fiscal year: (i) A list of new projects begun during the
9 fiscal year, showing that the county has used the funds for those
10 projects consistent with the goals of chapter 130, Laws of 2004 and the
11 requirements of (a) of this subsection; and (ii) expenditures during
12 the fiscal year on projects begun in a previous year. Any projects
13 financed prior to June 10, 2004, from the proceeds of obligations to
14 which the tax imposed under subsection (1) of this section has been
15 pledged (~~shall~~) may not be deemed to be new projects under this
16 subsection. No new projects funded with money collected under this
17 section may be for justice system facilities.

18 (c) The definitions in this section apply throughout this section.

19 (i) "Public facilities" means bridges, roads, domestic and
20 industrial water facilities, sanitary sewer facilities, earth
21 stabilization, storm sewer facilities, railroads, (~~electricity~~)
22 electrical facilities, natural gas facilities, research, testing,
23 training, and incubation facilities in innovation partnership zones
24 designated under RCW 43.330.270, buildings, structures,
25 telecommunications infrastructure, transportation infrastructure, or
26 commercial infrastructure, and port facilities in the state of
27 Washington.

28 (ii) "Economic development purposes" means those purposes which
29 facilitate the creation or retention of businesses and jobs in a
30 county.

31 (iii) "Economic development office" means an office of a county,
32 port districts, or an associate development organization as defined in
33 RCW 43.330.010, which promotes economic development purposes within the
34 county.

35 (4) No tax may be collected under this section before July 1, 1998.

36 (a) Except as provided in (b) of this subsection, no tax may be
37 collected under this section by a county more than twenty-five years
38 after the date that a tax is first imposed under this section.

1 (b) For counties imposing the tax at the rate of 0.09 percent
2 before August 1, 2009, the tax expires on the date that is twenty-five
3 years after the date that the 0.09 percent tax rate was first imposed
4 by that county.

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

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