

# HOUSE BILL REPORT

## SHB 1128

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### As Passed Legislature

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

**Brief Description:** Changing innovation partnership zone provisions.

**Sponsors:** House Committee on Community & Economic Development & Trade (originally sponsored by Representatives Kenney, Bailey, Pettigrew, Chase, Hudgins, Haler, Hasegawa, Darneille, Kelley and Sullivan).

**Brief History:**

**Committee Activity:**

Community & Economic Development & Trade: 1/26/09, 2/4/09 [DPS].

**Floor Activity**

Passed House: 2/23/09, 96-0.

Passed Senate: 4/3/09, 44-0.

Passed Legislature.

#### Brief Summary of Substitute Bill

- Provides certain authorities and responsibilities to the Department of Community, Trade and Economic Development related to the Innovation Partnership Zone Program (Program).
- Modifies Economic Development Commission oversight responsibility and reporting deadlines related to the Program.

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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; Maxwell, Vice Chair; Smith, Ranking Minority Member; Chase, Liias, Orcutt, Parker, Probst and Sullivan.

**Staff:** Meg Van Schoorl (786-7105)

**Background:**

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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.*

The Innovation Partnership Zone Program (Program) was created in 2007 through Substitute House Bill 1091. The Program has a number of requirements specified in statute:

Process for Innovation Partnership Zone (IPZ) Designation.

Annually on October 1, the Director of the Department of Community, Trade and Economic Development (DCTED) must designate areas within Washington as IPZs. An area wishing consideration must submit an application to the DCTED. The IPZ administrator must be an economic development council, port, workforce development council, city, or county. Each designation is for a four-year period, after which the IPZ must reapply.

Application Evaluation Criteria.

The DCTED evaluates applications based on statutory criteria, evidence of estimated economic impact, evidence of forward planning, and other criteria as recommended by the Washington Economic Development Commission (Commission). The estimated economic impact must include evidence of anticipated private investment, job creation, innovation, and commercialization.

In order to be designated, an area must have three types of institutions within its boundaries:

- research capacity in the form of a university or college fostering commercially-valuable research, a nonprofit institution creating commercially applicable research, or a national laboratory;
- 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, the IPZ application must have the support of a local jurisdiction, a research institution, an educational institution, an industry or cluster association, a workforce development council, and an associate development organization, port, or chamber of commerce. The proposed IPZ must also have the capacity to accommodate firm growth, and have identifiable boundaries within which an applicant will concentrate efforts to connect innovative researchers, entrepreneurs, investors, industry associations or clusters, and training providers. There must be evidence that the proposed IPZ will promote commercialization, innovation, and collaboration among the IPZ residents.

Performance Measures and Other Program Components.

The IPZs are required to provide performance measures as prescribed by the DCTED, including but not limited to, measures of private investment, job creation, and innovation.

The Commission, with advice from an advisory group, has oversight responsibility for the implementation and evaluation of the state's efforts to further innovation partnerships statewide. The Commission must provide information and advice, including grant funding criteria and performance measures, to the DCTED.

By December 31, 2007, the Commission, research institutions, and the Higher Education Coordinating Board (HECB) are required to submit a plan to the Governor and the Legislature to build on existing and develop new intellectual assets and innovation research teams.

By December 31, 2008, the Commission must report to the Governor and the Legislature on performance measures to be used in evaluating innovation research teams, the IPZs, and related programs.

By December 31, 2012, the Commission must submit a biennial assessment and report to the Governor and the Legislature that includes among other activities, the outcomes of the grants for IPZs.

The IPZs are eligible for funds and resources provided by the Legislature or the Governor, and can also be eligible for the Local Infrastructure Financing Tool, Sales and Use Tax for Public Facilities in Rural Counties, and Job Skills Program if the IPZ meets their requirements.

#### The IPZ Program Status.

In 2007, 15 applications were received. On October 1, 2007, the DCTED Director designated 11 as the IPZs. Six of the 11 were awarded \$5 million from funds set aside for the Program in the state Capital Budget. The individual grants ranged from \$275,000 to \$1 million and were awarded to: the Bellingham Innovation Zone, the Grays Harbor Sustainable Industries Zone, the Pullman IPZ, the Spokane University District IPZ, the Tri Cities IPZ, and the Walla Walla Valley IPZ. The balance of the IPZs were designated, but not funded, including: Snohomish Aerospace Convergence Zone, Sequim's North Olympic IPZ, Bothell's Biomedical Manufacturing Corridor, the Columbia River Discovery Corridor IPZ, and the South Lake Union Life Sciences IPZ.

For the 2008 designation process, two applications were received. No designations were made by the DCTED.

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

The DCTED is required to design and implement the Program. The Program's purpose is to encourage and support research institutions, training organizations, and globally competitive companies to work cooperatively in geographic proximity to create commercially viable products and jobs.

The DCTED Director is authorized to waive the requirement that the research institution be located within the zone. To receive consideration for the waiver, the applicant must submit a specific plan that describes the institution's unique qualifications and suitability for the IPZ and the ongoing cooperative activities that will occur.

The DCTED Director is required to make biennial, not annual, designations, and is authorized to withdraw the designation and associated funding of an IPZ that fails after its initial year to meet the performance standards required in its contract with the DCTED.

The DCTED must submit a biennial report on the IPZs to the Governor and the Legislature by December 1 of even-numbered years beginning in 2010. The report must provide information for each zone on its: objectives; funding, tax incentives, and other support obtained from public sector sources; major activities; partnerships; performance measures; and outcomes achieved since the inception of the zone or since the previous biennial report. The Commission must review the DCTED draft report and recommend ways to increase effectiveness in the overall program and the individual IPZs. The Commission's recommendations will be included in the final report submitted by the DCTED.

The Commission's oversight responsibility for implementation of the state's efforts to further innovation partnerships is removed. The Commission, research institutions, and the HECB are required by December 31, 2009, (instead of December 31, 2007) to submit a plan to the Governor and the Legislature to build on existing and develop new intellectual assets and innovation research teams. The Commission must report to the Governor and the Legislature by June 30, 2009, (instead of December 31, 2008) on performance measures to be used in evaluating innovation research teams, IPZs, and related programs.

**Appropriation:** None.

**Fiscal Note:** Available. New fiscal note requested on February 4, 2009.

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

**Staff Summary of Public Testimony:**

(In support) The IPZs cover many geographic areas and focus on industries as diverse as aerospace, life sciences, wine, biofuels, maritime, and pharmaceuticals. The IPZs bring together the often-separated worlds of business, workforce training, and research to collaboratively create commercially viable products and jobs. Some rural area leaders have indicated that the requirement to have a research institution in the zone puts them at a competitive disadvantage. This bill provides some flexibility related to that requirement. Giving the DCTED Director authority to de-designate non-performing zones is critical for program accountability.

(Opposed) None.

**Persons Testifying:** (In support) Representative Kenney, prime sponsor.

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