

HOUSE BILL REPORT

HB 2482

As Passed Legislature

Title: An act relating to designating innovation partnership zones.

Brief Description: Designating innovation partnership zones.

Sponsors: Representatives Kenney, Finn, Ryu, Hasegawa and Stanford.

Brief History:

Committee Activity:

Community & Economic Development & Housing: 1/19/12, 1/30/12 [DP].

Floor Activity:

Passed House: 2/9/12, 81-16.

Senate Amended.

Passed Senate: 2/29/12, 48-1.

Passed House: 3/5/12, 60-38.

Passed Legislature.

Brief Summary of Bill

- Requires Innovation Partnership Zones (IPZs) to be part of an industry cluster.
- Provides information and options to applicants that do not meet all the criteria for IPZ designation.
- Includes research, testing, training, and incubation facilities in IPZs in the types of public facilities eligible for Community Economic Revitalization Board financing.
- Expands the allowable uses of rural county sales and use tax proceeds for public facilities serving economic development purposes to include research, testing, training, and incubation facilities in IPZs.

HOUSE COMMITTEE ON COMMUNITY & ECONOMIC DEVELOPMENT & HOUSING

Majority Report: Do pass. Signed by 7 members: Representatives Kenney, Chair; Finn, Vice Chair; Ahern, Maxwell, Ryu, Santos and Walsh.

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.

Minority Report: Do not pass. Signed by 2 members: Representatives Smith, Ranking Minority Member; Orcutt, Assistant Ranking Minority Member.

Staff: Jennifer Thornton (786-7147).

Background:

Innovation Partnership Zones.

In 2007 the Legislature directed the Department of Community, Trade and Economic Development (now the Department of Commerce) to design and implement an Innovation Partnership Zone (IPZ) program through which the state would encourage and support research institutions, workforce training organizations, and globally competitive companies working cooperatively in close geographic proximity to create commercially viable products and jobs.

Using specified criteria, the Department of Commerce (Department) with the advice of the Washington Economic Development Commission (Commission) designates the IPZs for a period of four years. The IPZs are administered by an economic development council, port, workforce development council, city, or county. An IPZ may renew its designation through a reapplication process, and may lose its designation for failure to meet performance standards. The IPZs are eligible for funds as provided by the Legislature or at the discretion of the Governor. There are currently 14 IPZs in Washington.

Community Economic Revitalization Board.

The Community Economic Revitalization Board (CERB) is a 20-member statutory state board created in 1982 that is charged with funding public infrastructure improvements that encourage new business development and expansion in areas seeking economic growth. The CERB receives administrative support from the Department.

The CERB's focus is on creating and retaining jobs in partnership with local governments, with traditional assistance primarily targeted to rural communities. Through the CERB, local governments can apply for low-interest loans and, occasionally, grants, to help finance public facility projects. Public facilities eligible for the CERB financing include: bridges, roads, domestic and industrial water, earth stabilization, sanitary sewer, storm sewer, railroad, telecommunications, electricity, transportation, natural gas, buildings or structures, and port facilities.

Rural County Sales and Use Tax.

Rural counties may impose a local option sales and use tax of up to 0.09 percent. For purposes of the local option tax, rural counties are defined as those with a population density of less than 100 persons per square mile, or smaller than 225 square miles. The tax is deducted from the state's 6.5 percent sales tax.

Revenues from this local option tax may only be used for the purposes of financing public facilities serving economic development purposes and financing personnel in economic development offices. Public facilities must be listed as an officially adopted item in a county's overall economic development plan, the economic development section of the comprehensive plan, or listed in the capital facilities plan.

Summary of Bill:

The IPZs must be part of an industry cluster, which is defined as a geographic concentration of interconnected companies in a single industry; related businesses in other industries, including suppliers and customers; and associated institutions, including government and education.

A firm's global competitiveness can be signified by evidence of sales in international markets instead of through other recognized evidence of international success.

When designating IPZs, the Department must use criteria it develops in consultation with the Commission, rather than other criteria recommended by the Commission.

An IPZ may be eligible for Local Improvement District (LID) funds if it meets all of the other requirements to obtain the LID funding.

For applicants that do not receive an IPZ designation, the Department is required to:

- identify deficiencies in the proposal and recommend steps to strengthen the proposal;
- provide the applicant with the opportunity to appeal the decision to the Director of the Department; and
- allow the applicant to reapply for IPZ designation during the following calendar year or any subsequent application cycle.

The required IPZ performance measures must be provided to the Department on an annual basis.

The general objectives of the CERB are expanded to include enhancing job and business growth through facility development and other improvements in IPZs. For the purposes of the CERB financing, the definition of public facilities is expanded to include research, testing, training, and incubation facilities in IPZs.

For the purposes of using rural county sales and use tax proceeds to finance public facilities serving economic development purposes, the definition of public facilities is expanded to include research, testing, training, and incubation facilities in IPZs.

Appropriation: None.

Fiscal Note: Available.

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) We have seen a lot of the IPZs in action, and the Community and Economic Development and Housing Committee had the opportunity to tour and hear from IPZ partners in Grays Harbor in October. The IPZs are not a single program, but a framework that brings regional innovation together. It starts at the local level. The IPZs have a public-private

partnership that leads to the creation of jobs, brings in new industries, and keeps current industries. This bill addresses some things that have arisen with the program. Some applications are very good, but have minor things that need to be corrected. Technical assistance can help them strengthen out their application without having to wait two years to reapply. This is especially important if there are some industry opportunities waiting for them.

(Opposed) None.

Persons Testifying: Representative Kenney, prime sponsor.

Persons Signed In To Testify But Not Testifying: None.