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HOUSE BILL 2631

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State of Washington

65th Legislature

2018 Regular Session

By Representative Griffey

Read first time 01/11/18. Referred to Committee on Technology & Economic Development.

1 AN ACT Relating to spurring innovation through incentivizing the  
2 use of sustainable building materials; reenacting and amending RCW  
3 43.84.092; adding new sections to chapter 43.330 RCW; adding a new  
4 section to chapter 82.45 RCW; and creating new sections.

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

6 NEW SECTION. **Sec. 1.** (1) The legislature intends to see  
7 Washington lead the world in innovation and environmental  
8 stewardship, particularly as it relates to the construction of tall  
9 commercial buildings. Over the years, programs have been implemented  
10 to spur innovation efforts in fields including mathematics, medicine,  
11 and technology. These contests have resulted in important  
12 innovations, solutions, and advanced the development of certain  
13 industries.

14 (2) In 2014 the United States department of agriculture  
15 established the U.S. tall wood building prize competition. The  
16 competition gave architects, engineers, and developers an opportunity  
17 to demonstrate the commercial viability of advanced wood products  
18 like cross-laminated timber in tall buildings. One of the winning  
19 teams designed a twelve-story multipurpose building to be constructed  
20 primarily from cross-laminated timber. The idea behind the building  
21 design competition was to increase the creation of tall wood

1 building, increase the demand for wood products and wood product  
2 innovation, and boost rural economic development.

3 (3) The legislature intends to create a competitive incentive  
4 program to advance sustainability in the built environment. The  
5 legislature intends for grants to be awarded in a manner calculated  
6 to advance the local market, products, design, manufacturing, and  
7 skilled trades related to construction of commercial buildings using  
8 sustainable building materials. The program will invite proposals  
9 that use sustainable building materials, not limited to wood  
10 products, in the construction of tall commercial buildings.

11 (4) In recent years, the state has seen a dramatic increase in  
12 revenue from the real estate excise tax collected on sales of  
13 commercial buildings valued at more than ten million dollars. The  
14 legislature recognizes an opportunity to use the revenue from sales  
15 of existing high-value commercial buildings to create the capacity in  
16 Washington to develop the most innovative and sustainable next  
17 generation of tall commercial buildings.

18 (5) Therefore, the legislature intends to promote the  
19 manufacturing of sustainable building materials and use in  
20 construction by spurring innovation through a sustainable building  
21 materials incentive program. The legislature recognizes that it takes  
22 time to generate long-term investment by market innovators and to  
23 develop and foster a mature market. Therefore, the legislature  
24 intends to extend the incentive program for no less than ten years,  
25 to allow the growth opportunity of this industry to be fully  
26 realized.

27 NEW SECTION. **Sec. 2.** A new section is added to chapter 43.330  
28 RCW to read as follows:

29 DEFINITIONS. The definitions in this section apply throughout  
30 sections 3 through 9 of this act unless the context clearly requires  
31 otherwise.

32 (1) "Board" means the sustainable building materials incentive  
33 program board established in section 4 of this act.

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

35 (3) "Director" means the director of the department of commerce.

36 (4) "Mass timber" means a type of building component or system  
37 that uses large panelized wood construction, including:

38 (a) Cross-laminated timber;

39 (b) Nail laminated timber;

- 1 (c) Glue laminated timber;
- 2 (d) Laminated strand timber; and
- 3 (e) Laminated veneer lumber.

4 (5) "Sustainable building materials" means materials, including  
5 mass timber, concrete, steel, glass, and other materials proven to be  
6 suitable for construction of a building more than eighty-five feet in  
7 height.

8 (6) "Sustainable building materials incentive program account"  
9 means the account created in section 5 of this act.

10 (7) "Sustainable building materials incentive program or  
11 incentive program" means the program created in section 3 of this  
12 act.

13 NEW SECTION. **Sec. 3.** A new section is added to chapter 43.330  
14 RCW to read as follows:

15 SUSTAINABLE BUILDING MATERIALS INCENTIVE PROGRAM ESTABLISHED. (1)  
16 The sustainable building materials incentive program is established  
17 in the department to spur innovation in the sustainable building  
18 materials sector and advance the building of tall buildings from  
19 sustainable building materials in Washington, promoting the  
20 manufacturing of sustainable building materials. The department,  
21 through the sustainable building materials incentive program board,  
22 must enter into a contract with a statewide nonprofit organization,  
23 existing on the effective date of this section, to carry out the  
24 purpose of chapter . . . , Laws of 2018 (this act) and whose sole  
25 purpose is to run the sustainable building materials incentive  
26 program. The contract must contain the statewide nonprofit  
27 organization's statewide sustainable building materials incentive  
28 program plan containing criteria and terms for the distribution of  
29 grants for successful proposals. Incentive program criteria must  
30 include:

31 (a) A requirement that fifty percent of grant funds must go  
32 towards an incentive applicant from the architecture and design  
33 industry and the remaining fifty percent of grant funds must go  
34 towards a competitor(s) from the production sector, including  
35 workforce development;

36 (b) Terms to include incentive program competitors from  
37 representation of all regions of the state, including both urban and  
38 rural communities;

39 (c) Length of the incentive program competition period;

1 (d) Goals of the incentive program;  
2 (e) A description of program benefits to the public; and  
3 (f) Such other criteria as agreed by the department and the  
4 nonprofit organization.

5 (2) The department may adopt rules as necessary to implement this  
6 section.

7 NEW SECTION. **Sec. 4.** A new section is added to chapter 43.330  
8 RCW to read as follows:

9 SUSTAINABLE BUILDING MATERIALS INCENTIVE PROGRAM BOARD. (1) The  
10 sustainable building materials incentive program must be governed by  
11 a board of directors. The board of directors must consist of:

12 (a) One member from each of the two major caucuses of the house  
13 of representatives to be appointed by the speaker of the house of  
14 representatives and one member from each of the two major caucuses of  
15 the senate to be appointed by the president of the senate; and

16 (b) Nine representatives from the building industry, including  
17 representatives from architecture and design firms and building  
18 materials production sectors, appointed by the director of the  
19 department of commerce.

20 (2) Appointments by the director of the department must take into  
21 consideration the expertise and industry knowledge necessary to  
22 accelerate the maturation of the market in Washington, and the  
23 capability of the representative to evaluate applications for grants  
24 to be awarded in the areas of product design, workforce training, and  
25 production.

26 (3) The initial appointments under subsection (1) of this section  
27 must be appointed to terms as follows: Three members for two-year  
28 terms, three members for three-year terms, and three members for  
29 four-year terms, which must include the chair. After the initial  
30 appointments, all appointments must be for four years.

31 (4) The board must select from its membership the chair of the  
32 board and such other officers as it deems appropriate.

33 (5) A majority of the board constitutes a quorum.

34 (6) The board must create its own bylaws in accordance with the  
35 laws of the state of Washington.

36 (7) Any member of the board may be removed for misfeasance,  
37 malfeasance, or willful neglect of duty after notice and a public  
38 hearing, unless the notice and hearing are expressly waived in  
39 writing by the affected member.

1 (8) If a vacancy occurs on the board, the director must fill the  
2 same for the unexpired term.

3 (9) The members of the board serve without compensation but are  
4 entitled to reimbursement, solely from the funds of the authority,  
5 for expenses incurred in the discharge of their duties.

6 (10) The board must meet at least quarterly.

7 (11) No board member of the authority may serve on the board of  
8 an organization that could be considered for the contract authorized  
9 by RCW 43.79A.040.

10 NEW SECTION. **Sec. 5.** A new section is added to chapter 43.330  
11 RCW to read as follows:

12 SUSTAINABLE BUILDING MATERIALS INCENTIVE PROGRAM ACCOUNT. The  
13 sustainable building materials incentive program account is created  
14 in the state treasury. All receipts from tax revenues deposited  
15 pursuant to section 9 of this act must be deposited into the account.  
16 Expenditures from the account may only be made after appropriation.  
17 Expenditures from the account may be made only by the department for  
18 the purpose of the sustainable building materials incentive program  
19 established in section 3 of this act. The account is subject to  
20 allotment procedures under chapter 43.88 RCW.

21 NEW SECTION. **Sec. 6.** GIFTS OR GRANTS TO THE SUSTAINABLE  
22 BUILDING MATERIALS INCENTIVE PROGRAM BOARD. The board may receive  
23 gifts, grants, or endowments from public or private sources that are  
24 made from time to time, in trust or otherwise, for the use and  
25 benefit of the purposes of the authority and spend gifts, grants, or  
26 endowments or income from public or private sources according to  
27 their terms, unless the receipt of gifts, grants, or endowments  
28 violates RCW 42.17A.560.

29 NEW SECTION. **Sec. 7.** A new section is added to chapter 43.330  
30 RCW to read as follows:

31 JLARC REVIEW. The joint legislative audit and review committee  
32 must conduct an evaluation of the sustainable building materials  
33 incentive program created in section 3 of this act and report its  
34 findings and recommendations to the governor and the economic  
35 development committees of the senate and house of representatives, in  
36 compliance with RCW 43.01.036, by December 1, 2026. The purpose of  
37 the evaluation is to determine the extent to which the sustainable

1 building materials incentive program recipients are spurring  
2 innovation in the development of buildings made of sustainable  
3 materials and manufacturing of sustainable building materials. To  
4 evaluate whether the projects have spurred innovation, the joint  
5 legislative audit and review committee's review must include, the  
6 quantity and types of jobs created and maintained in the sustainable  
7 building materials industry, incomes of industry-related jobs, the  
8 number of sustainable materials buildings built in Washington since  
9 the enactment of this act, and whether new markets have been  
10 developed for sustainable building materials.

11 NEW SECTION. **Sec. 8.** A new section is added to chapter 43.330  
12 RCW to read as follows:

13 SHORT TITLE. This act may be cited as the sustainable building  
14 materials incentive program act.

15 NEW SECTION. **Sec. 9.** A new section is added to chapter 82.45  
16 RCW to read as follows:

17 Beginning July 1, 2018, and ending July 1, 2028, the first five  
18 million dollars from taxes collected pursuant to RCW 82.45.060 on the  
19 sales of commercial buildings valued at more than ten million dollars  
20 must be deposited into the sustainable building materials incentive  
21 program account created in section 5 of this act.

22 **Sec. 10.** RCW 43.84.092 and 2017 3rd sp.s. c 25 s 50, 2017 3rd  
23 sp.s. c 12 s 12, and 2017 c 290 s 8 are each reenacted and amended to  
24 read as follows:

25 (1) All earnings of investments of surplus balances in the state  
26 treasury shall be deposited to the treasury income account, which  
27 account is hereby established in the state treasury.

28 (2) The treasury income account shall be utilized to pay or  
29 receive funds associated with federal programs as required by the  
30 federal cash management improvement act of 1990. The treasury income  
31 account is subject in all respects to chapter 43.88 RCW, but no  
32 appropriation is required for refunds or allocations of interest  
33 earnings required by the cash management improvement act. Refunds of  
34 interest to the federal treasury required under the cash management  
35 improvement act fall under RCW 43.88.180 and shall not require  
36 appropriation. The office of financial management shall determine the  
37 amounts due to or from the federal government pursuant to the cash

1 management improvement act. The office of financial management may  
2 direct transfers of funds between accounts as deemed necessary to  
3 implement the provisions of the cash management improvement act, and  
4 this subsection. Refunds or allocations shall occur prior to the  
5 distributions of earnings set forth in subsection (4) of this  
6 section.

7 (3) Except for the provisions of RCW 43.84.160, the treasury  
8 income account may be utilized for the payment of purchased banking  
9 services on behalf of treasury funds including, but not limited to,  
10 depository, safekeeping, and disbursement functions for the state  
11 treasury and affected state agencies. The treasury income account is  
12 subject in all respects to chapter 43.88 RCW, but no appropriation is  
13 required for payments to financial institutions. Payments shall occur  
14 prior to distribution of earnings set forth in subsection (4) of this  
15 section.

16 (4) Monthly, the state treasurer shall distribute the earnings  
17 credited to the treasury income account. The state treasurer shall  
18 credit the general fund with all the earnings credited to the  
19 treasury income account except:

20 (a) The following accounts and funds shall receive their  
21 proportionate share of earnings based upon each account's and fund's  
22 average daily balance for the period: The aeronautics account, the  
23 aircraft search and rescue account, the Alaskan Way viaduct  
24 replacement project account, the brownfield redevelopment trust fund  
25 account, the budget stabilization account, the capital vessel  
26 replacement account, the capitol building construction account, the  
27 Cedar River channel construction and operation account, the Central  
28 Washington University capital projects account, the charitable,  
29 educational, penal and reformatory institutions account, the Chehalis  
30 basin account, the cleanup settlement account, the Columbia river  
31 basin water supply development account, the Columbia river basin  
32 taxable bond water supply development account, the Columbia river  
33 basin water supply revenue recovery account, the common school  
34 construction fund, the community forest trust account, the connecting  
35 Washington account, the county arterial preservation account, the  
36 county criminal justice assistance account, the deferred compensation  
37 administrative account, the deferred compensation principal account,  
38 the department of licensing services account, the department of  
39 retirement systems expense account, the developmental disabilities  
40 community trust account, the diesel idle reduction account, the

1 drinking water assistance account, the drinking water assistance  
2 administrative account, the early learning facilities development  
3 account, the early learning facilities revolving account, the Eastern  
4 Washington University capital projects account, the Interstate 405  
5 express toll lanes operations account, the education construction  
6 fund, the education legacy trust account, the election account, the  
7 electric vehicle charging infrastructure account, the energy freedom  
8 account, the energy recovery act account, the essential rail  
9 assistance account, The Evergreen State College capital projects  
10 account, the federal forest revolving account, the ferry bond  
11 retirement fund, the freight mobility investment account, the freight  
12 mobility multimodal account, the grade crossing protective fund, the  
13 public health services account, the high capacity transportation  
14 account, the state higher education construction account, the higher  
15 education construction account, the highway bond retirement fund, the  
16 highway infrastructure account, the highway safety fund, the high  
17 occupancy toll lanes operations account, the hospital safety net  
18 assessment fund, the industrial insurance premium refund account, the  
19 judges' retirement account, the judicial retirement administrative  
20 account, the judicial retirement principal account, the local  
21 leasehold excise tax account, the local real estate excise tax  
22 account, the local sales and use tax account, the marine resources  
23 stewardship trust account, the medical aid account, the mobile home  
24 park relocation fund, the money-purchase retirement savings  
25 administrative account, the money-purchase retirement savings  
26 principal account, the motor vehicle fund, the motorcycle safety  
27 education account, the multimodal transportation account, the  
28 multiuse roadway safety account, the municipal criminal justice  
29 assistance account, the natural resources deposit account, the oyster  
30 reserve land account, the pension funding stabilization account, the  
31 perpetual surveillance and maintenance account, the pollution  
32 liability insurance agency underground storage tank revolving  
33 account, the public employees' retirement system plan 1 account, the  
34 public employees' retirement system combined plan 2 and plan 3  
35 account, the public facilities construction loan revolving account  
36 beginning July 1, 2004, the public health supplemental account, the  
37 public works assistance account, the Puget Sound capital construction  
38 account, the Puget Sound ferry operations account, the Puget Sound  
39 taxpayer accountability account, the real estate appraiser commission  
40 account, the recreational vehicle account, the regional mobility



1 grant program account, the resource management cost account, the  
2 rural arterial trust account, the rural mobility grant program  
3 account, the rural Washington loan fund, the sexual assault  
4 prevention and response account, the site closure account, the  
5 skilled nursing facility safety net trust fund, the small city  
6 pavement and sidewalk account, the special category C account, the  
7 special wildlife account, the state employees' insurance account, the  
8 state employees' insurance reserve account, the state investment  
9 board expense account, the state investment board commingled trust  
10 fund accounts, the state patrol highway account, the state route  
11 number 520 civil penalties account, the state route number 520  
12 corridor account, the state wildlife account, the supplemental  
13 pension account, the sustainable building materials incentive program  
14 account, the Tacoma Narrows toll bridge account, the teachers'  
15 retirement system plan 1 account, the teachers' retirement system  
16 combined plan 2 and plan 3 account, the tobacco prevention and  
17 control account, the tobacco settlement account, the toll facility  
18 bond retirement account, the transportation 2003 account (nickel  
19 account), the transportation equipment fund, the transportation  
20 future funding program account, the transportation improvement  
21 account, the transportation improvement board bond retirement  
22 account, the transportation infrastructure account, the  
23 transportation partnership account, the traumatic brain injury  
24 account, the tuition recovery trust fund, the University of  
25 Washington bond retirement fund, the University of Washington  
26 building account, the volunteer firefighters' and reserve officers'  
27 relief and pension principal fund, the volunteer firefighters' and  
28 reserve officers' administrative fund, the Washington judicial  
29 retirement system account, the Washington law enforcement officers'  
30 and firefighters' system plan 1 retirement account, the Washington  
31 law enforcement officers' and firefighters' system plan 2 retirement  
32 account, the Washington public safety employees' plan 2 retirement  
33 account, the Washington school employees' retirement system combined  
34 plan 2 and 3 account, the Washington state health insurance pool  
35 account, the Washington state patrol retirement account, the  
36 Washington State University building account, the Washington State  
37 University bond retirement fund, the water pollution control  
38 revolving administration account, the water pollution control  
39 revolving fund, the Western Washington University capital projects  
40 account, the Yakima integrated plan implementation account, the

1 Yakima integrated plan implementation revenue recovery account, and  
2 the Yakima integrated plan implementation taxable bond account.  
3 Earnings derived from investing balances of the agricultural  
4 permanent fund, the normal school permanent fund, the permanent  
5 common school fund, the scientific permanent fund, the state  
6 university permanent fund, and the state reclamation revolving  
7 account shall be allocated to their respective beneficiary accounts.

8 (b) Any state agency that has independent authority over accounts  
9 or funds not statutorily required to be held in the state treasury  
10 that deposits funds into a fund or account in the state treasury  
11 pursuant to an agreement with the office of the state treasurer shall  
12 receive its proportionate share of earnings based upon each account's  
13 or fund's average daily balance for the period.

14 (5) In conformance with Article II, section 37 of the state  
15 Constitution, no treasury accounts or funds shall be allocated  
16 earnings without the specific affirmative directive of this section.

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