Z-0425.1

**SENATE BILL 5090**

**State of Washington 60th Legislature 2007 Regular Session**

**By** Senators Kastama, Shin, Franklin, Kilmer, Marr, Kauffman, Murray and Rasmussen; by request of Governor Gregoire

Read first time 01/10/2007. Referred to Committee on Economic Development, Trade & Management.

AN ACT Relating to innovation partnership zones; amending RCW 39.102.070 and 82.14.370; adding a new section to chapter 43.330 RCW; creating a new section; and providing an expiration date.

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

NEW SECTION. **Sec. 1.** Washington is home to some of the world's most innovative companies, researchers, entrepreneurs, and workers. Talent and creativity exist in all areas of Washington, but economic experience around the world shows that economic impact can be particularly large where talent and resources are densely concentrated. All over the world, small, specific areas are becoming focal points for economic change and leadership. These areas have name recognition, attract some of the best talent, and provide a strong sense of community among the people who work there. Washington is home to some of these areas now and needs to have more of them in the future. It is the intent of the legislature that Washington support the identification and promotion of innovation partnership zones to advance Washington's position in the world economy. Washington is a national leader in economic strategy based on clusters of industries, promoting the connections among firms, suppliers, customers, and public resources. Washington's innovation partnership zone strategy is an extension of that policy to promote research-based firms and industries in specific areas that become globally recognized as hubs of innovation and expertise.

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

(1) The director shall designate innovation partnership zones on the basis of the following criteria:

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

(i) Research capacity in the form of a university or community college fostering commercially valuable research, or a national laboratory;

(ii) Dense proximity of globally competitive firms in a research-based industry or industries. A globally competitive firm may be signified through international organization for standardization 9000 or 1400 certification, or other recognized evidence of international success; and

(iii) Training capacity either within the zone or readily accessible to the zone. The training capacity requirement may be met by the same institution as the research capacity requirement, to the extent both are associated with an educational institution in the proposed zone.

(b) The proposed innovation partnership zone must have identifiable boundaries that contain dense concentrations of leading companies, research capacity, and skills, or otherwise show evidence of planning and partnerships that will produce such concentrations in an identified time period. This may be provided through evidence of identifiable innovation partnership zone boundaries cited in previous planning documents. Innovation partnership zone proposals must be able to describe the boundaries of the zone using commonly available data and maps.

(c) Innovation partnership zones must be small enough and distinct enough so that workers and companies have a unique affinity for the area within the zone. Innovation partnership zones may already possess a distinct identity or they may provide evidence of marketing efforts to create a distinct name and identity for the area within the zone's boundaries.

(d) The innovation partnership zone must include unused or otherwise potentially available property to allow for future expansion. Innovation partnership zones need not possess vacant land to meet this requirement. Local zoning and economic conditions must provide evidence that capacity for expansion exists.

(e) The innovation partnership zone administrator must be an economic development council, port, workforce development council, city, or county.

(2) On October 1st of each year, the director shall designate innovation partnership zones on the basis of applications that meet the legislative criteria, estimated economic impact of the zone, and evidence of forward planning for the zone. The director will designate an innovation partnership zone administrator in the local area.

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

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

(a) The local infrastructure financing tools program;

(b) The sales and use tax for public facilities in rural counties; and

(c) Job skills.

(5) An applicant for designation as an innovation partnership zone shall show evidence of support from a research institution, an educational institution, a company with operations within the zone, a workforce development council, and an economic development council, port, or chamber of commerce.

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

(7) The department shall convene annual information sharing events for innovation partnership zone administrators and other interested parties.

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

**Sec. 3.** RCW 39.102.070 and 2006 c 181 s 205 are each amended to read as follows:

The use of local infrastructure financing under this chapter is subject to the following conditions:

(1) No funds may be used to finance, design, acquire, construct, equip, operate, maintain, remodel, repair, or reequip public facilities funded with taxes collected under RCW 82.14.048;

(2)(a) Except as provided in (b) of this subsection no funds may be used for public improvements other than projects identified within the capital facilities, utilities, housing, or transportation element of a comprehensive plan required under chapter 36.70A RCW;

(b) Funds may be used for public improvements that are historical preservation activities as defined in RCW 39.89.020;

<u>(c) Funds may be used for innovation partnership zones, as provided under section 2 of this act;</u>

(3) The public improvements proposed to be financed in whole or in part using local infrastructure financing are expected to encourage private development within the revenue development area and to increase the fair market value of real property within the revenue development area;

(4) A sponsoring local government, participating local government, or participating taxing district has entered or expects to enter into a contract with a private developer relating to the development of private improvements within the revenue development area or has received a letter of intent from a private developer relating to the developer's plans for the development of private improvements within the revenue development area;

(5) Private development that is anticipated to occur within the revenue development area, as a result of the public improvements, will be consistent with the county-wide planning policy adopted by the county under RCW 36.70A.210 and the local government's comprehensive plan and development regulations adopted under chapter 36.70A RCW;

(6) The governing body of the sponsoring local government, and any cosponsoring local government, must make a finding that local infrastructure financing:

(a) Is not expected to be used for the purpose of relocating a business from outside the revenue development area, but within this state, into the revenue development area; and

(b) Will improve the viability of existing business entities within the revenue development area;

(7) The governing body of the sponsoring local government, and any cosponsoring local government, finds that the public improvements proposed to be financed in whole or in part using local infrastructure financing are reasonably likely to:

(a) Increase private residential and commercial investment within the revenue development area;

(b) Increase employment within the revenue development area;

(c) Improve the viability of any existing communities that are based on mixed-use development within the revenue development area; and

(d) Generate, over the period of time that the local option sales and use tax will be imposed under RCW 82.14.475, state excise tax allocation revenues and state property tax allocation revenues derived from the revenue development area that are equal to or greater than the respective state contributions made under this chapter;

(8) The sponsoring local government may only use local infrastructure financing in areas deemed in need of economic development or redevelopment within boundaries of the sponsoring local government.

**Sec. 4.** RCW 82.14.370 and 2004 c 130 s 2 are each amended to read as follows:

(1) The legislative authority of a rural county may impose a sales and use tax in accordance with the terms of this chapter. The tax is in addition to other taxes authorized by law and shall be collected from those persons who are taxable by the state under chapters 82.08 and 82.12 RCW upon the occurrence of any taxable event within the county. The rate of tax shall not exceed 0.08 percent of the selling price in the case of a sales tax or value of the article used in the case of a use tax, except that for rural counties with population

densities between sixty and one hundred persons per square mile, the rate shall not exceed 0.04 percent before January 1, 2000.

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

(3)(a) Moneys collected under this section shall only be used to finance public facilities serving economic development purposes in rural counties or for innovation partnership zones, as provided under section 2 of this act. The public facility must be listed as an item in the officially adopted county overall economic development plan, or the economic development section of the county's comprehensive plan, or the comprehensive plan of a city or town located within the county for those counties planning under RCW 36.70A.040. For those counties that do not have an adopted overall economic development plan and do not plan under the growth management act, the public facility must be listed in the county's capital facilities plan or the capital facilities plan of a city or town located within the county.

(b) In implementing this section, the county shall consult with cities, towns, and port districts located within the county and the associate development organization serving the county to ensure that the expenditure meets the goals of chapter 130, Laws of 2004 and the requirements of (a) of this subsection. Each county collecting money under this section shall report to the office of the state auditor, no later than October 1st of each year, a list of new projects from the prior fiscal year, showing that the county has used the funds for those projects consistent with the goals of chapter 130, Laws of 2004 and the requirements of (a) of this subsection. Any projects financed prior to June 10, 2004, from the proceeds of obligations to which the tax imposed under subsection (1) of this section has been pledged shall not be deemed to be new projects under this subsection.

(c) For the purposes of this section, (i) "public facilities" means bridges, roads, domestic and industrial water facilities, sanitary sewer facilities, earth stabilization, storm sewer facilities, railroad, electricity, natural gas, buildings, structures, telecommunications infrastructure, transportation infrastructure, or commercial infrastructure, and port facilities in the state of

Washington; and (ii) "economic development purposes" means those purposes which facilitate the creation or retention of businesses and jobs in a county.

(4) No tax may be collected under this section before July 1, 1998. No tax may be collected under this section by a county more than twenty-five years after the date that a tax is first imposed under this section.

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

NEW SECTION. **Sec. 5.** Section 3 of this act expires June 30, 2039.

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