February 16, 1999

BILL ANALYSIS

TO: Members, Committee on Economic Development, Housing & Trade

FROM: Kenny Pittman, Research Analyst (786-7392)

RE: HB 1277 - Creating a public facilities district.

Brief Summary of Bill

- Authorizes cities or towns to create a public facilities district to acquire, build, own and operate one or more regional convention, conference, or special events centers that cost at least $10 million.
- Authorizes public facilities district to use local sales and use taxes, property taxes, and bond financing for the regional centers.
- Provides a state contribution based on 0.033 percent of all retail sales in the city or town.

BACKGROUND:

Public facilities districts are corporate municipal bodies, established by statute as independent taxing authorities. They may be created in any county and their boundaries are the same as the boundaries of the county. They are authorized to acquire, build, own and operate sports facilities, entertainment facilities, or convention facilities, or any combination of such facilities, together with contiguous parking facilities.

Public facilities district may impose excise taxes at a rate not exceeding 2 percent on the sale or charge for furnishing lodging by a hotel, motel, trailer camp, or tourist court with 40 or more lodging units. With voter approval, public facilities district may impose a 0.1 percent sales and use taxes. With voter approval, public facilities districts may impose both single year excess property tax levies and multiple year excess levies to retire general obligation bonds issued for capital purposes. Public facilities districts may issue general obligation bonds that are back by the full faith and credit of the district and revenue bonds that are backed by the revenue of the facility being financed.

SUMMARY:

A public facilities district may be created in any city or town, located in a county with a population of less than one million, by legislative authority of the city or town and must be coextensive with the boundaries of the city or town. A contiguous group of cities or towns may enter into a agreement to create and jointly operate a public facilities district, if approved by majority vote of the public.

The public facilities districts are authorized to acquire, build, own and operate one or more regional center.– Regional centers are defined as convention, conference, or special events centers, or any combination of facilities, and related parking facilities, serving a regional population constructed, improved, or rehabilitated after the date of this act at a cost of at least $10 million.

The board of directors of a public facilities district must consists of members of the legislative body of the city that created the district. A public facilities district that is located in the largest city in a county with a population greater than 300,000 but less than 400,000, may have city public facilities district governed by the same board as the countywide public facilities district. A public facilities district that consist of a contiguous group of cities or towns may be governed by a board appointed in accordance to a joint operating agreement between the participating cities or towns.

A public facilities district is given various financing mechanisms to assist in the construction, operation, or improvement of a regional center.

. <u>Financing.</u>

. Hotel/Motel Tax.

A public facility district may impose a 2 percent hotel/motel tax on the sale or charge for furnishing lodging by a hotel, motel, or tourist court with 40 or more lodging units. No tax may be collected before August 1, 1999, and must expire when the bonds for the facility are paid off, but not longer than 20 years after the tax is first imposed.

. Property Tax.

With voter approval, a public facility district may levy both a single year excess property tax levies and multiple year excess levies to retire general obligation bonds issued for operating and capital purposes.

. Local Option Sales and Use Tax.

A public facilities district may impose a 0.1 percent sales and use tax on all retail sales within the city or town. The tax is in addition to existing state and local sales and use taxes. No tax may be collected before August 1, 1999, and must expire when the bonds for the facility are paid off, but not longer than 20 years after the tax is first imposed.

. General Obligation and Revenue Bonds.

A public facilities district may issue either general obligation (G.O.) or revenue bonds to finance the regional center. The amount of general obligation bonds may not exceed an amount equal to 0.5 percent of the value of the taxable property within the district. The G.O. bonds may be issued for a period up to 30 years. The revenue bonds may be issued to fund those portions of the regional center that are revenue generating. The revenue bonds may not be issued with a maturity in excess of 30 years.

. State Contribution.

A public facilities district may impose a sales and use tax at a rate of 0.033 percent. This tax is credited against the state sales and use tax. Therefore, consumers will not see an increase in the tax. Before the tax can be imposed, the public facilities district must have all final plans for the new or improved facility approved and adopted by the governing board prior to January 1, 2003, and construction started prior to January 1, 2004. No tax may be collected before August 1, 1999, and must expire when the bonds for the facility are paid off, but not longer than 20 years after the tax is first imposed.

. Miscellaneous provisions.

. Design-Build Construction.

A public facilities district may use alternative construction method known as design-build– or general contractor/construction manager– procedures for the construction or improvement of a regional center.

. Sales and Use Tax Deferral.

A public facilities district may apply for a deferral of sales and use taxes on the materials, construction labor, and services required for site preparation, construction of buildings or other structures, and acquisition of related machinery and equipment, of a regional center. The tax deferral is for a 5-year period and repaid 10 percent per year over a 10-year period.

Appropriation: None.

Fiscal Note: Requested February 10, 1999.

Effective Date: The bill contains an emergency clause and takes effect July 1, 1999.