

# HOUSE BILL REPORT

## HB 1435

---

**As Reported by House Committee On:**  
Community & Economic Development & Trade  
Finance

**Title:** An act relating to public facilities districts and regional centers under the authority of such districts.

**Brief Description:** Modifying provisions relating to public facilities districts.

**Sponsors:** Representatives P. Sullivan, Upthegrove, Simpson, Schual-Berke and Pettigrew.

**Brief History:**

**Committee Activity:**

Community & Economic Development & Trade: 2/7/07, 2/21/07 [DP];  
Finance: 3/5/07 [DPS].

**Brief Summary of Substitute Bill**

- Authorizes a city public facilities district (PFD) located in a county or counties with a population greater than one million, so long as the city's population is between 80,000 and 115,000.
- Allows a second county-wide PFD in counties of population greater than one million. Allows the new county-wide PFD to impose a sales and use tax of up to 0.0017 percent for the construction of a regional center so long as work on the regional center commences prior to January 1, 2008.
- Provides a sales and use tax deferral on the construction of the regional center.

---

**HOUSE COMMITTEE ON COMMUNITY & ECONOMIC DEVELOPMENT & TRADE**

**Majority Report:** Do pass. Signed by 9 members: Representatives Kenney, Chair; Pettigrew, Vice Chair; Bailey, Ranking Minority Member; McDonald, Assistant Ranking Minority Member; Chase, Darneille, Haler, Rolfes and P. Sullivan.

**Staff:** Tracey Taylor (786-7196).

---

*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.*

**Background:**

A public facilities district (PFD) may be created upon adoption of a resolution by a county, city, or town's legislative authority in which the proposed district is located. A PFD is a municipal corporation, and independent taxing authority within the meaning of Article VII, Section 1 of the State Constitution, and a taxing district within the meaning of Article VII, Section 2 of the State Constitution. A PFD is a body corporate and possesses all the usual powers of a corporation for public purposes or specially conferred by statute.

A PFD is authorized to acquire, construct, own, remodel, maintain, equip, re-equip, repair, and operate sports facilities, entertainment facilities, convention facilities or regional centers, together with contiguous parking facilities. In addition to existing authorities, PFDs formed after January 1, 2000, may acquire, construct, maintain, and operate recreation facilities other than ski areas.

The PFDs formed prior to 2002 may impose a 0.033 percent sales tax that is deducted from the state sales tax and is not an increase to taxpayers. A PFD also may levy a 0.2 percent sales tax and a 2 percent lodging tax if approved by a majority of voters in the PFD.

A town or a city located in a county with a population of less than one million residents may create a PFD and may enter into agreement for the joint operation of the public facility.

**Sales & Use Tax**

Washington levies a sales tax on the selling price of tangible personal property and certain services purchased at retail. This includes goods, construction including labor, repair of tangible personal property, lodging for less than 30 days, and some personal and professional services, such as landscape maintenance and physical fitness. The state retail sales tax is 6.5 percent. The state sales tax is collected from purchasers by retail vendors at the time of sale using the tax rate schedules provided by the Department of Revenue (DOR). Total transactions are reported in the seller's combined excise tax return (CETR) and receipts are forwarded to the DOR on a monthly or quarterly basis

For items used in Washington, but the acquisition of which was not subject to the Washington retail sales tax, the Washington use tax is applied. This includes purchases made from out-of-state sellers, including catalog and Internet purchases, purchases from sellers who are not required to collect sales tax, items produced for use by the producer, and gifts and prizes. The tax is measured by the value of the item at the time of the first use within Washington, excluding any delivery charges. The state use tax rate is the same as the state retail sales tax of 6.5 percent

Just as the state taxes the sale of tangible personal property and some services purchased at retail, cities and counties may levy a local sales and use tax. State law currently authorizes 17 different types of local sales and use taxes. There is: a basic 0.5 percent tax for cities and counties; an optional tax of up to 0.5 percent for cities and counties; three local taxes for the support of transportation programs; a tax of up to 1 percent to fund high capacity transportation; two taxes for funding criminal justice or public safety programs; taxes of 0.1 percent each for public facilities, juvenile correctional facilities, zoos, and emergency

communications facilities; two state-credited taxes to finance professional sports stadiums; and two state-credited taxes to support rural counties and regional centers.

---

**Summary of Bill:**

A city with a population of between 80,000 and 115,000 residents, located in a county with a population of greater than one million residents, may create a PFD for the construction of a regional center. The city may impose a sales and use tax of .033 percent that will be credited against the state sales and use tax.

In addition, labor and services rendered in relation to the construction of the regional center as well as tangible personal property incorporated into the regional center are exempt from the state sales and use tax.

---

**Appropriation:** None.

**Fiscal Note:** Available.

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

**Staff Summary of Public Testimony:**

(In support) This bill would assist the City of Kent to build a 6,500 seat arena that will host family-friendly events, including the Seattle Thunderbirds junior hockey team which will be the anchor with a 25-year lease. The Seattle Thunderbirds have found their current venue is not the appropriate arena for their business model. In addition, the Kent Events Center will host graduation ceremonies, youth events, garden and home shows, concerts and business events. The demand for facilities to host graduations is especially high, with south King County residents having to travel to attend a child's graduation.

The construction of the Kent Events Center is estimated to cost approximately \$35 million. This facility should generate \$1 billion in new economic activity, create nearly 600 construction jobs and at least 100 permanent jobs while bringing the state nearly \$50 million in new tax revenues over the next few decades. Over 80 percent of the construction cost will be borne locally through the issuance of bonds; however, the approximately \$900,000 in PFD tax revenue generated pursuant to this bill is needed to complete the financing. The Kent Events Center will assist in further developing Kent's downtown core and assist a community that accommodates more low-income and affordable housing than any other part of King County provide family-centered and affordable entertainment.

(Opposed) None.

**Persons Testifying:** (In support) Representative P. Sullivan, prime sponsor; Suzette Cooke and Mike Miller, City of Kent; Becky Hanks, Kent School District; and Colin Campbell, Seattle Thunderbirds.

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

---

## HOUSE COMMITTEE ON FINANCE

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 5 members: Representatives Hunter, Chair; Hasegawa, Vice Chair; Conway, Ericks and Santos.

**Minority Report:** Do not pass. Signed by 4 members: Representatives Orcutt, Ranking Minority Member; Condotta, Assistant Ranking Minority Member; McIntire and Roach.

**Staff:** Rick Peterson (786-7150).

### **Summary of Recommendation of Committee On Finance Compared to Recommendation of Committee On Community & Economic Development & Trade:**

The substitute bill does not allow the city public facilities district (PFD) to impose the 0.033 percent sales tax. In counties with population greater than one million the substitute bill allows a second PFD to be formed. The purpose of the county-wide district is to provide the funding for regional centers. The county-wide district may impose a county-wide sales tax of 0.0017 percent once the bonds on the baseball stadium are retired and the 0.017 percent sales tax is ended. The substitute bill changed the sales and use tax exemption for the regional center to a deferral of taxes.

**Appropriation:** None.

**Fiscal Note:** Available.

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

### **Staff Summary of Public Testimony:**

(In support) None.

(Opposed) None.

**Persons Testifying:** None.

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