

# HOUSE BILL REPORT

## HB 2296

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**As Reported by House Committee On:**  
Finance

**Title:** An act relating to the taxing authority of public facilities districts.

**Brief Description:** Concerning the taxing authority of public facilities districts.

**Sponsors:** Representatives Rossetti, Orcutt, Blake and Tharinger.

**Brief History:**

**Committee Activity:**

Finance: 1/15/16, 1/26/16 [DPS].

**Brief Summary of Substitute Bill**

- Allows a public facilities district to use local sales and use tax proceeds to repay bonds issued not only for construction but also for the expansion, rehabilitation and improvement of regional centers.
- Extends the authorization for two local sales and use taxes for regional centers from up to 25 years to up to 40 years, assuming bonds have not yet been retired.

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### HOUSE COMMITTEE ON FINANCE

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 15 members: Representatives Lytton, Chair; Robinson, Vice Chair; Nealey, Ranking Minority Member; Orcutt, Assistant Ranking Minority Member; Condotta, Frame, Manweller, Pollet, Reykdal, Ryu, Springer, Stokesbary, Vick, Wilcox and Wylie.

**Staff:** Sarah McLaughlin Emmans (786-7288).

**Background:**

*Local Sales and Use Taxes.*

State law currently authorizes 25 different types of local sales and use taxes. The most common is a two-part (0.5 percent basic plus 0.5 percent optional) city and county sales and use tax of up to 1 percent. The tax is used for general local purposes. Almost all cities and

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counties levy the full 1 percent rate. The county sales and use tax is credited against the city tax; however, cities are required to share 15 percent of their tax with the counties. Local sales and use taxes are deposited into the Local Sales and Use Tax Account (Account). On a monthly basis, the State Treasurer distributes taxes in the Account to the jurisdictions imposing local sales and use taxes.

*Public Facilities District.*

Public facilities districts (PFDs) are corporate municipal bodies with independent taxing authority. State law authorizes a PFD to impose a local sales and use tax of 0.033 percent to finance the construction of regional centers. A PFD that has experienced an annual net loss of at least 0.5 percent due to streamlined sales tax destination sourcing may increase its rate up to 0.037 percent. This tax is not an additional tax for consumers, and it does not change the overall retail sales or use tax rate. Rather, the receipts are credited against the state 6.5 percent tax, and therefore the burden is shifted to the State General Fund.

Regional centers are defined to include convention and conference centers and special events facilities, such as facilities for community events, sporting events, trade shows, and artistic performances. Authority to levy the PFD sales and use tax for regional centers is limited to districts that were created by certain dates and commenced the construction, improvement, or rehabilitation of eligible projects prior to certain dates. Once imposed, the tax may remain in place until bonds that finance the construction of the facility are retired, but in no case may the tax be levied for longer than 20 years. In order to utilize the state-credited tax receipts, the statute requires that public or private matching funds must be obtained for the project. The 0.033 percent tax is currently used to finance 22 projects statewide.

The PFDs in Cowlitz and Yakima counties are also authorized to levy an additional local sales and use tax of 0.02 percent to finance the construction of regional theaters. The same restrictions that apply to the 0.033 percent tax also apply to the 0.02 percent tax.

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**Summary of Substitute Bill:**

The maximum timeframes within which the PFDs are authorized to levy two local sales and use taxes, one to finance the construction of regional centers and one to finance the construction of regional theaters, are extended from 25 years to 40 years, provided that bonds have not yet been retired. Proceeds from the taxes may be used to retire bonds issued not only for construction but also for the improvement, rehabilitation, or expansion of the regional center (or regional theater) and parking facilities.

**Substitute Bill Compared to Original Bill:**

In the substitute bill, an additional local sales and use tax used by the PFDs in Cowlitz and Yakima counties to finance regional theaters is changed in the same way as the 0.033 percent sales and use tax for all the PFDs: the maximum timeframe that the tax can be imposed is extended to 40 years from 25 years, and language is added to clarify that the tax can be used to repay bonds issued for improvement, rehabilitation, or expansion of a regional center.

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**Appropriation:** None.

**Fiscal Note:** Available.

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

**Staff Summary of Public Testimony:**

(In support) There are 22 facilities statewide (not including the stadiums in King County) that have attracted incredible economic growth to the state. This bill would allow these projects to refinance to take advantage of lower interest rates in the additional 15-year timeframe. Most of the projects were financed prior to the Great Recession. Twenty-five years is shorter than the useful life of most of the construction projects; this bill would allow the PFDs to finance maintenance costs and problems not originally contemplated on a 25-year bond. State and local communities will begin to receive revenue generated right away from construction and from expansions, even though the costs will be realized in future.

Lewis County's PFD focuses on public-private partnerships. They have used public and private capital to expand and improve the center, and all of these partners have a stake in the project. The original PFD was a \$9.6 million construction project with over \$3 million coming from partnerships. Annually the center realizes 35,000 visitors to the sports center and 21,000 room nights in the hotel. This translates to \$2.2 million in hotel room revenue, \$4.2 million in local revenue, and \$336,000 in taxes. The hotel has hired four new full-time employees and plans to hire at least nine more.

Cowlitz County's public facilities center operates a regional conference center and historic theater. The conference center cannot grow its programming without expansion. The theater is also growing steadily but needs additional renovation, including an air conditioner for summer months. The PFD originally sold \$20 million in bonds, and has repaid \$7.6 million. This bill would give the PFD time to expand the center and renovate it to attract additional partnerships and development.

The extension of the financing option would allow regional centers to compete with centers in other states.

(Opposed) None.

**Persons Testifying:** Representative Rossetti, prime sponsor; Jim Hedrick, Association of Washington State Public Facilities Districts; Todd Chaput, Lewis County PFD; Nelson Graham, Cowlitz County PFD; Mike Walton, Kitsap PFD; Corey Pearson, Kennewick PFD; and Grant Dull, Lynnwood PFD.

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