

# SENATE BILL REPORT

## SB 5571

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As of February 6, 2015

**Title:** An act relating to providing a tax deferral for the expansion of certain existing public facilities district convention centers.

**Brief Description:** Providing a tax deferral for the expansion of certain existing public facilities district convention centers.

**Sponsors:** Senators Fain, Pedersen, Kohl-Welles, Litzow, Chase and Habib.

**Brief History:**

**Committee Activity:** Ways & Means: 2/09/15.

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### SENATE COMMITTEE ON WAYS & MEANS

**Staff:** Dean Carlson (786-7305)

**Background:** Washington State Convention and Trade Center. In 2010 the Legislature authorized creation of a new public facilities district (PFD) in King County to take over the Washington State Convention and Trade Center (Center), located in Seattle. The Center PFD is governed by a nine-member board of directors. Three members are appointed by the Governor, three by King County, and three by the city of Seattle. At least one of the Governor's appointments and one of the county appointments must be a representative of the lodging industry.

The Center was originally established by the Legislature as a public nonprofit corporation in 1982 and financed through state-issued general obligation bonds. Expansion of the Center, authorized by the Legislature in the 1995-97 biennium, was financed through the use of Certificates of Participation. The Center was transferred to the PFD in 2010 after provisions were made for all assets and liability of the nonprofit corporation to be assumed by the PFD.

PFD. Public facilities districts (PFDs) are corporate municipal bodies, established by statute as independent taxing authorities. A county legislative authority may adopt a resolution creating one or more PFDs, each with boundaries that are the same as the boundaries of the county. Such county PFDs 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.

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*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.*

Lodging Tax Financing. For the purposes of acquiring, owning, and operating a convention and trade center, the Center PFD is authorized to impose an excise tax on lodging sales or charges made by hotels, motels, and similar facilities with at least 60 units (convention center tax). The convention center tax rate is 7 percent in Seattle and 2.8 percent in the rest of King County. Receipts are deposited into two accounts within the state treasury: (1) the state convention and trade center account – used for acquisition, design, and construction of facilities and retirement of bonds; and (2) the state convention and trade center operations account. The revenues from this tax allowed the PFD to issue revenue bonds in 2010 to assume the assets and liabilities for the Center from the state, and also provided additional funding for future improvement and expansion of the Center.

Local Convention Center Tax. The Center PFD may impose, in Seattle only, an additional 2 percent excise tax (local convention center tax) on the same sales or charges subject to the convention center tax. The state issues a tax credit, against the retail sales tax, to the hotels, motels, and other lodging facilities paying the local convention center tax, and as a result, the local convention center tax does not increase the cost of room rentals to customers. The local convention center tax may be imposed only for: (1) paying the principal and interest on the debt of the PFD; and (2) paying an annual payment amount to the state. The annual payment amount is equal to the revenues received by the PFD from the local convention center tax, plus an interest charge. The local convention center tax ends on July 1, 2029, or the date the debt is issued to redeem, prepay, or defease the state's obligations related to the Center, whichever comes first. If the Center PFD is not able to make the annual payment because it needs to use a portion of the additional tax revenues to pay the principal and interest on its debt, then any deficiency in the annual payment made to the state is deemed a loan from the state, and principal and interest must be paid on the loan.

**Summary of Bill:** A state and local retail sales and use tax deferral, currently applicable only to construction by a PFD of a new baseball stadium with a retractable roof or canopy and natural turf, is made available to a PFD for the purposes of a new expansion of an existing PFD convention center located in King County. The governing board of the Center PFD may apply to the Department of Revenue for authority to defer the taxes for five years from the date the expanded facility is operationally complete, and to repay the deferred taxes in ten equal payments over ten years, beginning on December 31 of the fifth calendar year after the facility is operationally complete. Deferrable taxes includes state and local retail sales and use taxes on construction of buildings, site preparation, and the acquisition of related machinery and equipment for a new public facility.

**Appropriation:** None.

**Fiscal Note:** Available.

**Committee/Commission/Task Force Created:** No.

**Effective Date:** The bill contains an emergency clause and takes effect July 1, 2015