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**SUBSTITUTE SENATE BILL 6158**

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**State of Washington 68th Legislature 2024 Regular Session**

**By** Senate Local Government, Land Use & Tribal Affairs (originally sponsored by Senators J. Wilson and Dozier)

AN ACT Relating to public facilities districts; and amending RCW 82.14.390, 82.14.485, 36.100.040, and 36.100.130.

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

**Sec.**  RCW 82.14.390 and 2017 c 164 s 1 are each amended to read as follows:

(1) Except as provided in subsection (7) of this section, the governing body of a public facilities district (a) created before July 31, 2002, under chapter 35.57 or 36.100 RCW that commenced construction of at least one new regional center, or improvement or rehabilitation of an existing new regional center, before January 1, 2004; (b) created before July 1, 2006, under chapter 35.57 RCW in a county or counties in which there are no other public facilities districts on June 7, 2006, and in which the total population in the public facilities district is greater than ninety thousand that commenced construction of a new regional center before February 1, 2007; (c) created under the authority of RCW 35.57.010(1)(d); or (d) created before September 1, 2007, under chapter 35.57 or 36.100 RCW, in a county or counties in which there are no other public facilities districts on July 22, 2007, and in which the total population in the public facilities district is greater than seventy thousand, that commenced construction of a new regional center before January 1, 2009, or before January 1, 2011, in the case of a new regional center in a county designated by the president as a disaster area in December 2007, 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 must 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 public facilities district. The rate of tax may not exceed 0.033 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.

(2)(a) The governing body of a public facilities district imposing a sales and use tax under the authority of this section may increase the rate of tax up to 0.037 percent if, within three fiscal years of July 1, 2008, the department determines that, as a result of RCW 82.14.490 and the chapter 6, Laws of 2007 amendments to RCW 82.14.020, a public facilities district's sales and use tax collections for fiscal years after July 1, 2008, have been reduced by a net loss of at least 0.50 percent from the fiscal year before July 1, 2008. The fiscal year in which this section becomes effective is the first fiscal year after July 1, 2008.

(b) The department must determine sales and use tax collection net losses under this section ((~~as provided in RCW 82.14.500 (2) and (3)~~)). The department must provide written notice of its determinations to public facilities districts. Determinations by the department of a public facilities district's sales and use tax collection net losses as a result of RCW 82.14.490 and the chapter 6, Laws of 2007 amendments to RCW 82.14.020 are final and not appealable.

(c) A public facilities district may increase its rate of tax after it has received written notice from the department as provided in (b) of this subsection. The increase in the rate of tax must be made in 0.001 percent increments and must be the least amount necessary to mitigate the net loss in sales and use tax collections as a result of RCW 82.14.490 and the chapter 6, Laws of 2007 amendments to RCW 82.14.020. The increase in the rate of tax is subject to RCW 82.14.055.

(3) The tax imposed under subsection (1) of this section must 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 must perform the collection of such taxes on behalf of the county at no cost to the public facilities district. During the 2011-2013 fiscal biennium, distributions by the state to a public facilities district based on the additional rate authorized in subsection (2) of this section must be reduced by 3.4 percent.

(4) No tax may be collected under this section before August 1, 2000. The tax imposed in this section expires when bonds issued to finance or refinance the construction, improvement, rehabilitation, or expansion of ((~~the~~)) a regional center and related parking facilities are retired, but not more than ((~~forty~~)) 65 years after the tax is first collected.

(5) Moneys collected under this section may only be used for the purposes set forth in RCW 35.57.020 and must be matched with an amount from other public or private sources equal to thirty-three percent of the amount collected under this section; however, amounts generated from nonvoter approved taxes authorized under chapter 35.57 RCW or nonvoter approved taxes authorized under chapter 36.100 RCW do not constitute a public or private source. For the purpose of this section, public or private sources includes, but is not limited to cash or in-kind contributions used in all phases of the development or improvement of the regional center, land that is donated and used for the siting of the regional center, cash or in-kind contributions from public or private foundations, or amounts attributed to private sector partners as part of a public and private partnership agreement negotiated by the public facilities district.

(6) The combined total tax levied under this section may not be greater than 0.037 percent. If both a public facilities district created under chapter 35.57 RCW and a public facilities district created under chapter 36.100 RCW impose a tax under this section, the tax imposed by a public facilities district created under chapter 35.57 RCW must be credited against the tax imposed by a public facilities district created under chapter 36.100 RCW.

(7) A public facilities district created under chapter 36.100 RCW is not eligible to impose the tax under this section if the legislative authority of the county where the public facilities district is located has imposed a sales and use tax under RCW 82.14.0485 or 82.14.0494.

**Sec.**  RCW 82.14.485 and 2017 c 164 s 2 are each amended to read as follows:

(1) In a county with a population under three hundred thousand, the governing body of a public facilities district, which is created before August 1, 2001, under chapter 35.57 RCW or before January 1, 2000, under chapter 36.100 RCW, in which the total population in the public facilities district is greater than ninety thousand and less than one hundred thousand that commences improvement or rehabilitation of an existing regional center, to be used for community events, and artistic, musical, theatrical, or other cultural exhibitions, presentations, or performances and having two thousand or fewer permanent seats, before January 1, 2009, 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 must 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 public facilities district. The rate of tax for a public facilities district created prior to August 1, 2001, under chapter 35.57 RCW, may not exceed 0.025 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. The rate of tax, for a public facilities district created prior to January 1, 2000, under chapter 36.100 RCW, may not exceed 0.020 percent of the selling price in the case of a sales tax or the value of the article used in the case of a use tax.

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

(3) The tax imposed in this section expires when bonds issued to finance or refinance the construction, improvement, rehabilitation, or expansion of ((~~the~~)) a regional center and related parking facilities are retired, but not more than ((~~forty~~)) 65 years after the tax is first collected.

(4) Moneys collected under this section may only be used for the purposes set forth in RCW 35.57.020 and must be matched with an amount from other public or private sources equal to thirty-three percent of the amount collected under this section, provided that amounts generated from nonvoter-approved taxes authorized under chapter 35.57 RCW may not constitute a public or private source. For the purpose of this section, public or private sources include, but are not limited to cash or in-kind contributions used in all phases of the development or improvement of the regional center, land that is donated and used for the siting of the regional center, cash or in-kind contributions from public or private foundations, or amounts attributed to private sector partners as part of a public and private partnership agreement negotiated by the public facilities district.

**Sec.**  RCW 36.100.040 and 2018 c 245 s 2 are each amended to read as follows:

(1) A public facilities district may impose an excise tax on the sale of or charge made for the furnishing of lodging that is subject to tax under chapter 82.08 RCW, except that no such tax may be levied on any premises having fewer than forty lodging units. Except for any tax imposed under subsection (4) or (5) of this section, if a public facilities district has not imposed such an excise tax prior to December 31, 1995, the public facilities district may only impose the excise tax if a ballot proposition authorizing the imposition of the tax has been approved by a simple majority vote of voters of the public facilities district voting on the proposition.

(2) The rate of the tax may not exceed two percent and the proceeds of the tax may only be used for the acquisition, design, construction, remodeling, maintenance, equipping, reequipping, repairing, and operation of its public facilities. This excise tax may not be imposed until the district has approved the proposal to acquire, design, and construct the public facilities.

(3) Except for a public facilities district created within a county with a population of one million five hundred thousand or more for the purpose of acquiring, owning, and operating a convention and trade center, a public facilities district may not impose the tax authorized in this section if, after the tax authorized in this section was imposed, the effective combined rate of state and local excise taxes, including sales and use taxes and excise taxes on lodging, imposed on the sale of or charge made for furnishing of lodging in any jurisdiction in the public facilities district exceeds eleven and one-half percent.

(4)(a) To replace the tax authorized by RCW 67.40.090, a public facilities district created within a county with a population of one million five hundred thousand or more for the purpose of acquiring, owning, operating, renovating, and expanding a convention and trade center may impose an excise tax on the sale of or charge made for the furnishing of lodging (including but not limited to any short-term rental) that is subject to tax under chapter 82.08 RCW, except that no such tax may be levied on:

(i) Any premises:

(A) Having fewer than sixty lodging units if the premises is located in a town with a population less than three hundred; or

(B) Classified as a hostel;

(ii) Any lodging that is concurrently subject to a tax on engaging in the business of being a short-term rental operator imposed by a city in which a convention and trade center is located; or

(iii) Any lodging that is operated by a university health care system exclusively for family members of patients.

(b) The rate of the tax may not exceed seven percent within the portion of the district that corresponds to the boundaries of the largest city within the public facilities district and may not exceed 2.8 percent in the remainder of the district. The tax imposed under this subsection (4) may not be collected prior to the transfer date defined in RCW 36.100.230.

(5) To replace the tax authorized by RCW 67.40.130, a public facilities district created within a county with a population of one million five hundred thousand or more for the purpose of acquiring, owning, operating, renovating, and expanding a convention and trade center may impose an additional excise tax on the sale of or charge made for the furnishing of lodging (including but not limited to any short-term rental) that is subject to tax under chapter 82.08 RCW, except that no such tax may be levied on any premises: (a) Having fewer than sixty lodging units if the premises is located in a town with a population less than three hundred; or (b) classified as a hostel. The rate of the additional excise tax may not exceed two percent and may be imposed only within the portion of the district that corresponds to the boundaries of the largest city within the public facilities district and may not be imposed in the remainder of the district. The tax imposed under this subsection (5) may not be collected prior to the transfer date specified in RCW 36.100.230. The tax imposed under this subsection (5) must be credited against the amount of the tax otherwise due to the state from those same taxpayers under chapter 82.08 RCW. The tax under this subsection (5) may be imposed only for the purpose of paying or securing the payment of the principal of and interest on obligations issued or incurred by the public facilities district and paying annual payment amounts to the state under subsection (6)(a) of this section. The authority to impose the additional excise tax under this subsection (5) expires on the date that is the earlier of (i) July 1, 2029, or (ii) the date on which all obligations issued or incurred by the public facilities district to implement any redemption, prepayment, or legal defeasance of outstanding obligations under RCW 36.100.230(3)(a) are no longer outstanding.

(6)(a) Commencing with the first full fiscal year of the state after the transfer date defined in RCW 36.100.230 and for so long as a public facilities district imposes a tax under subsection (5) of this section, the public facilities district must transfer to the state of Washington on June 30th of each state fiscal year an annual payment amount.

(b) For the purposes of this subsection (6), "annual payment amount" means an amount equal to revenues received by the public facilities district in the fiscal year from the additional excise tax imposed under subsection (5) of this section plus an interest charge calculated on one-half the annual payment amount times an interest rate equal to the average annual rate of return for the prior calendar year in the Washington state local government investment pool created in chapter 43.250 RCW.

(c)(i) If the public facilities district in any fiscal year is required to apply additional lodging excise tax revenues to the payment of principal and interest on obligations it issues or incurs, and the public facilities district is unable to pay all or any portion of the annual payment amount to the state, the deficiency is deemed to be a loan from the state to the public facilities district for the purpose of assisting the district in paying such principal and interest and must be repaid by the public facilities district to the state after providing for the payment of the principal of and interest on obligations issued or incurred by the public facilities district, all on terms established by an agreement between the state treasurer and the public facilities district executed prior to the transfer date. Any agreement between the state treasurer and the public facilities district must specify the term for the repayment of the deficiency in the annual payment amount with an interest rate equal to the twenty bond general obligation bond buyer index plus one percentage point.

(ii) Outstanding obligations to repay any loans deemed to have been made to the public facilities district as provided in any such agreements between the state treasurer and the public facilities district survive the expiration of the additional excise tax under subsection (5) of this section.

(iii) For the purposes of this subsection (6)(c), "additional lodging excise tax revenues" mean the tax revenues received by the public facilities district under subsection (5) of this section.

(7) A public facilities district is authorized to pledge any of its revenues, including without limitation revenues from the taxes authorized in this section, to pay or secure the payment of obligations issued or incurred by the public facilities district, subject to the terms established by the board of directors of the public facilities district. So long as a pledge of the taxes authorized under this section is in effect, the legislature may not withdraw or modify the authority to levy and collect the taxes at the rates permitted under this section and may not increase the annual payment amount to be transferred to the state under subsection (6) of this section.

(8) The department of revenue must perform the collection of such taxes on behalf of the public facilities district at no cost to the district, and the state treasurer must distribute those taxes as available on a monthly basis to the district or, upon the direction of the district, to a fiscal agent, paying agent, or trustee for obligations issued or incurred by the district.

(9) Except as expressly provided in this chapter, all of the provisions contained in RCW 82.08.050 and 82.08.060 and chapter 82.32 RCW have full force and application with respect to taxes imposed under the provisions of this section.

(10) In determining the effective combined rate of tax for purposes of the limit in subsection (3) of this section, the tax rate under RCW 82.14.530 is not included.

(11) The taxes imposed in this section do not apply to sales of temporary medical housing exempt under RCW 82.08.997.

(12) The definitions in this subsection apply throughout this section unless the context clearly requires otherwise.

(a)(i) "Hostel" means a structure or facility where a majority of the rooms for sleeping accommodations are hostel dormitories containing a minimum of four standard beds designed for single-person occupancy within the facility. Hostel accommodations are supervised and must include at least one common area and at least one common kitchen for guest use.

(ii) For the purpose of this subsection (12)(a), "hostel dormitory" means a single room, containing four or more standard beds designed for single-person occupancy, used exclusively as nonprivate communal sleeping quarters, generally for unrelated persons, where such persons independently acquire the right to occupy individual beds, with the operator supervising and determining which bed each person will occupy.

(b) "Short-term rental" means a lodging use, that is not a hotel or motel, in which a dwelling unit, or portion thereof, that is offered or provided to a guest or guests by a short-term rental operator for a fee for fewer than thirty consecutive nights. The term "short-term rental" does not include:

(i) A dwelling unit, or portion thereof, that is used by the same person for thirty or more consecutive nights; and

(ii) A dwelling unit, or portion thereof, that is operated by an organization or government entity that is registered as a charitable organization with the secretary of state, state of Washington, and/or is classified by the federal internal revenue service as a public charity or a private foundation, and provides temporary housing to individuals who are being treated for trauma, injury, or disease and/or their family members.

(13) Taxes authorized under subsections (4) and (5) of this section are deemed to have been imposed on December 1, 2000, for the purposes of RCW 82.14.410.

(14)(a) Beginning on the date that the condition in (b) of this subsection is satisfied, a public facilities district created within a county with a population of one million five hundred thousand or more for the purpose of acquiring, owning, operating, renovating, and expanding a convention and trade center must make quarterly payments from tax revenue collected by a public facilities district as a result of the tax imposed in chapter 245, Laws of 2018 to a city in which the convention and trade center is located that has authorized on or before December 31, 2017, a tax on engaging in the business of being a short-term rental operator. Such payments must be made no more than thirty days after the last day of each fiscal quarter and must equal the portion of the revenues received by the public facilities district during such fiscal quarter from the lodging taxes authorized under subsection (4) of this section that are determined by the department of revenue to be derived from the short-term rental activity within such city.

(b) The public facilities district is not required to make any payments under this subsection (14) unless the city has repealed any ordinance authorizing a tax on engaging in the business of being a short-term rental operator.

(c) The public facilities district is not required to make any payments to a city under this subsection (14), if the city, after satisfying the condition in (b) of this subsection imposes any tax specifically on the act of engaging in the business of being a short-term rental operator.

(d) The proceeds of any payments made by a public facilities district to a city under this subsection (14) must be used by the city to support community-initiated equitable development and affordable housing programs, as determined by the city in its sole discretion.

(15) Fifty percent of any tax revenue collected by a public facilities district as a result of the tax imposed in chapter 245, Laws of 2018 must be distributed by the public facilities district to the county in which the convention and trade center is located. However, if a city has satisfied the condition in subsection (14)(b) of this section, payments made under this subsection to the county in which the convention and trade center is located must be calculated after deducting any payments made to a city under subsection (14) of this section from the total tax revenue received by the public facilities district as a result of the enactment of chapter 245, Laws of 2018. The proceeds of such payments to a county under this subsection (15) must be used by the county to support community-initiated equitable development and affordable housing programs, as determined by the county, in its sole discretion.

**Sec.**  RCW 36.100.130 and 1995 c 396 s 10 are each amended to read as follows:

(1) Each member of the board of directors of the public facilities district may receive compensation of ((~~fifty dollars~~)) $100 per day for attending meetings or conferences on behalf of the district, not to exceed ((~~three thousand dollars~~)) $6,000 per year. A director may waive all or a portion of his or her compensation under this section as to a month or months during his or her term of office, by a written waiver filed with the public facilities district. The compensation provided in this section is in addition to reimbursement for expenses paid to the directors by the public facilities district.

(2) The dollar thresholds established in this section must be adjusted for inflation by the office of financial management every five years, beginning January 1, 2029, based upon changes in the consumer price index during that time period. The office of financial management must calculate the new dollar threshold and transmit it to the office of the code reviser for publication in the Washington State Register at least one month before the new dollar threshold is to take effect. For purposes of this section, the office of financial management shall use that year's annual average consumer price index, for Washington state, for wage earners and clerical workers, all items, compiled by the bureau of labor and statistics, United States department of labor, as the consumer price index. If the bureau of labor and statistics develops more than one consumer price index for areas within the state, the index covering the greatest number of people, covering areas exclusively within the boundaries of the state, and including all items must be used for the adjustments for inflation in this section.

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