
Local Government Committee

E2SSB 5001

Brief Description: Concerning public facility districts created by at least two city or county legislative authorities.

Sponsors: Senate Committee on Transportation (originally sponsored by Senators Hawkins, Hunt, Nguyen and Wilson, J.).

Brief Summary of Engrossed Second Substitute Bill

- Allows the legislative authorities of certain cities and counties that previously created a public facilities district to create a new public facilities district prior to July 1, 2026, for financing, constructing, and operating regional aquatics and sports facilities and for providing funding for transportation improvements directly related to the facilities.
- Allows the new public facilities districts to, with voter approval, impose a sales and use tax at a rate of up to 0.2 percent to fund the district's activities.

Hearing Date: 3/14/23

Staff: Kellen Wright (786-7134).

Background:

Public Facilities Districts Purpose and Formation.

Public facilities districts are municipal corporations with independent taxing authority. There are two distinct versions of public facilities districts that can be created. The first, which is governed by a separate statutory framework and which has a somewhat larger remit, is a countywide public facilities district that can be created by a county legislative authority. The second, relevant here, can be created by the legislative authority of certain cities, combinations of cities,

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.

or combinations of counties and cities.

These latter public facilities districts can acquire, construct, maintain, repair, finance, and operate one or more regional centers and/or recreational facilities other than a ski area. A regional center is a convention, conference, or special events center, or a combination of facilities, and related parking facilities that serve a regional population and that cost more than \$10 million to construct, improve or rehabilitate, including the cost of debt service. If state and local government investment in the regional center is more than \$10 million, it is conclusively presumed that the center serves a regional population.

These public facilities districts can be formed in a variety of configurations. They can be formed:

- by the legislative authority of any town or city (city) in a county that has fewer than 1,000,000 people;
- by the legislative authority of a city that has a population between 80,000 but fewer than 115,000 that commenced construction of a regional center prior to July 1, 2008, within a county of more than 1,000,000;
- through an interlocal agreement entered into by the legislative authority of a contiguous group of cities located in a county or counties with fewer than 1,000,000 people; and
- through an interlocal agreement entered into by the legislative authority of a city or group of contiguous cities located in a county or counties with fewer than 1,000,000 people and the legislative authority of the county or counties in which the city or cities are located, or with the legislative authority of a contiguous county.

The boundaries of the district are coextensive with the boundary of the city or cities that formed the district, and the unincorporated area of any counties involved.

A second public facilities district can be created by at least three contiguous cities with a combined population of at least 160,000 that previously created a public facilities district. The prior districts are not affected by the creation of a new district.

Before a public facilities district can be formed, issue debt, or enter into a long-term lease, purchase, or development of a facility, an independent feasibility review must be conducted by the Department of Commerce and the Municipal Resources and Services Center or a similar entity to examine the expected costs and the adequacy of expected revenues to meet those costs. The cost of the study must be borne by the public facilities district or local government that is proposing to take the action that triggered the review.

Public Facilities District Revenue and Taxation Authority.

A public facilities district can impose charges and fees for the use of its facilities, and may impose a tax on any admission charges paid for entry to a regional center. Admissions charges include charges for tickets, necessary equipment rentals, cover charges, charges for food and drink if free entertainment is provided, and parking charges if the charge is determined by the number of people in a vehicle. This tax cannot exceed 5 percent of the total charge. A public

facilities district may additionally impose a tax of up to 10 percent on vehicle parking charges imposed at parking facilities owned by the district.

Public facilities districts may also levy sales and use taxes. A sales tax is a tax applied to the sale, rental, repair, or installation of tangible personal property, digital products, or some services purchased for the buyer's own use. It is a percentage tax based on the selling price of the items. A use tax is similar, except that it applies to the value of goods used within the state when a sales tax for them has not been paid. For example, a sales tax would be imposed on the sale of a car inside Washington, while a use tax would be imposed on a car purchased outside of Washington when it is registered in Washington if no sales tax, or a sales tax at a rate lower than Washington's, was paid at the time of purchase. The state imposes a general sales and use tax at a rate of 6.5 percent.

There are three different sales and use taxes available to public facilities districts. Two, however, can only be imposed by a limited number of districts. The other tax, and the only one available to all districts, is a 0.02 percent sales and use tax that can be imposed with voter approval. A second public facilities district formed within three or more contiguous cities can only impose the tax to the extent that the first public facilities district is not using the full taxing capacity.

The other two sales and use taxes are significantly more limited. The first of these can only be imposed by certain public facilities districts that commenced construction on their regional centers before specified dates in the mid-to-late 2000s. This tax may be imposed without voter approval at a rate of up to 0.033 percent. The final tax is even more restrictive. This tax can only be imposed by the governing body of a district that formed before August 1, 2001, that has a population between 90,000 and 100,000, and that commenced construction on a regional center that has certain attributes before January 1, 2009. These latter two taxes are credits against the states sales and use tax, meaning that, instead of resulting in the imposition of a greater rate of sales or use tax on the person paying the tax, the tax is instead deducted from the sales and use tax remitted to the Department of Revenue.

Summary of Bill:

The legislative authorities of two or more contiguous cities, or the legislative authorities of two or more contiguous cities and the legislative authority of the county or counties in which the cities are located, may create an additional public facilities district. In order to exercise this authority, each of the involved cities or counties must have previously participated in the creation of a public facilities district through an interlocal agreement entered into by the legislative authority of a city or group of contiguous cities located in a county or counties with fewer than 1,000,000 people and the legislative authority of the county or counties in which the city or cities are located, or with the legislative authority of a contiguous county. The new district must be created before July 1, 2026, and the creation of the new district does not affect the existence or authority of the old district.

Instead of regional centers, this new public facilities district may only acquire, construct, maintain, repair, finance, and operate regional aquatics and sports facilities, including community pools, and provide funding for transportation improvements directly related to providing pedestrian and vehicle access to regional aquatics and sports facilities. The transportation funding can include funding for the construction, expansion, or maintenance of pedestrian trails, roads, streets, and highways. Any such transportation improvements must be aligned with state, regional, or local transportation plans.

The new public facilities district may impose a sales and use tax, with voter approval, at a rate of up to 0.02 percent. This tax may be imposed regardless of whether, and at what rate, another public facilities district is imposing the sales and use tax within the new district's boundaries.

Appropriation: None.

Fiscal Note: Available.

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