HOUSE BILL REPORT
HB 2188

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

Title: An act relating to public facilities districts.

Brief Description: Revising public facility district provisions.

Sponsors: Representatives Dunn (co-prime sponsor), Reardon (co-prime sponsor), Pennington, Gombosky and Linville.

Brief History:
Committee Activity:
Trade & Economic Development: 2/27/01 [DPS];
Finance: 3/7/01 [DPS(TED)].

Brief Summary of Substitute Bill

- Authorizes a public facilities district to be created by joint action of two or more cities and towns located in a county with a population of less than one million and the county or counties in which the cities and towns are located.

- Authorizes multiple public facilities districts to be created by the same county if the districts provide different types of public facilities.

- Alters the types of facilities that public facilities districts may provide by: (1) Allowing cultural, community, technological, and recreational facilities to be provided by these districts; (2) changing the name of the basic type of facilities that may be provided by these districts from regional centers to public facilities and removing the requirement that these facilities serve a regional population; and (3) defining special events center facilities, that districts may already provide, to be facilities the primary purpose of which are for the presentation of events, activities, performances, or exhibits for the enjoyment of the general public.

- Authorizes public facility districts created by a county and public facility districts created by a city to enter into agreements under the Interlocal Cooperation Act to jointly acquire, construct, remodel, or provide public facilities.

- Extends the date by which a public facilities district must either commence new construction or remodeling of a regional center, and be able to finance this work with proceeds from a sales and use tax at a rate of up to 0.033 percent that is deducted from the state sales and use tax, from January 1, 2003, to January 1, 2005.

- Allows a public facilities district to defer state and local sales and use taxes imposed on constructing a regional center, and acquiring machinery and equipment for a public facilities, with payments on the deferred taxes being made in 10 annual installments commencing five years after the construction is completed and no payment of interest on the deferred taxes.

HOUSE COMMITTEE ON TRADE & ECONOMIC DEVELOPMENT

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 10 members: Representatives Veloria, Democratic Co-Chair; Dunn, Republican Vice Chair; Eickmeyer, Democratic 1st Vice Chair; Fromhold, Democratic 2nd Vice Chair; Ahern, Gombosky, Jackley, Mulliken, O'Brien and Woods.

Minority Report: Do not pass. Signed by 2 members: Representatives Van Luven, Republican Co-Chair; and Pflug.

Staff: Steve Lundin (786-7127).

Background:

Counties are authorized to create countywide public facility districts to provide sports facilities, entertainment facilities, convention facilities, regional centers, and related parking facilities. Regional centers are defined as convention, conference, or special events facilities serving a regional population that are constructed or improved after July 25, 1999, at a cost of at least $10 million. A public facilities district created by a county is governed by an appointed board of directors, with a varying composition and appointing authority.

One or more cities or towns located in a county with a population of less than one million may create a public facilities district to provide regional centers, which are defined to be the same as regional centers for public facilities districts created by a county. A public facilities district created by a city or town occupies the area of the cities or towns creating the district. A public facilities district created by a city or town is governed by an appointed board of directors, with a varying composition and appointing authority.

Public facilities districts may impose a variety of taxes to provide their facilities, including:

- A hotel/motel lodging tax of up to 2 percent on facilities with 40 or more lodging units if the combined sales and use taxes, and lodging excise taxes, imposed on lodging do not exceed 11.5 percent. The tax could have been imposed prior to December 31, 1999, without voter approval, and since that date may only be imposed with voter approval.

- An admissions tax of not more than 1 cent on 20 cents or fraction thereof paid for admissions to regional centers. The tax is applied to admission charges, cover charges, food and refreshment charges if free entertainment or amusement is provided, equipment rental for recreation or amusement, and automobile parking charges if the charge is based upon the number of passengers in the automobile.

- A vehicle parking tax imposed on its parking facilities of not more than 10 percent.

- Voter-approved sales and use taxes of not exceeding 0.2 percent, but the maximum rate was 0.1 percent before August 1, 2000.

- Additional nonvoter-approved sales and use taxes of not exceeding 0.033 percent that is deducted from the state's sales and use taxes. These taxes may only be used to finance regional centers.

A public facilities district created by a county may also impose voter approved excess property tax levies.

Summary of Substitute Bill:

1. <u>Creation of public facility districts.</u>

A public facilities district may be created by joint action of the legislative authorities of one or more cities or towns located in a county with a population of less than one million and the legislative authority of the county or counties in which the cities and towns are located. Such a public facilities district would only include the territory included in each city or town participating in its creation as well as the unincorporated area of each county participating in its creation.

Multiple public facilities districts may be created by a county, each coextensive with the boundaries of the county, if the resolution creating the district specifically enumerates the types of facilities that the district may provide and no other district created by the county is authorized to provide the same types of facilities.

2. <u>Governing body.</u>

A public facilities district created by joint action of one or more counties and one or more cities and towns is governed by a seven-member governing body selected as follows: (1) Three members are appointed by the legislative authorities of the cities, towns, and counties; and (2) four members are appointed by the legislative authority based on recommendations from local organizations, including the local chamber of commerce, local economic development council, local labor council, and a neighborhood organization directly affected by the location of the public facilities.

3. <u>Facilities that a public facilities district may provide.</u>

The facilities that a public facilities district may provide are expanded. The basic term used to describe various facilities that a public facilities district may provide is changed from "regional centers" to "public facilities" and the requirement is eliminated that these facilities serve a regional population. A public facilities district may also provide cultural, community, technology, and recreation facilities.

A special events center, that may already be provided by a public facilities district, is defined to be a facility or combination of facilities, the primary purpose of which is the presentation of events, activities, performances, or exhibits for the enjoyment of the general public.

4. Agreements.

A public facility district created by a county and a public facility district created by a city or town are expressly authorized to enter into agreements under the Interlocal Cooperation Act to jointly acquire, construct, remodel, or provide public facilities.

5. Finances.

The maximum rate of the 0.033 percent sales and use tax that may be imposed by public facilities district applies regardless of the number of public facility districts imposing the tax.

The date by which a public facilities district must either commence new construction or remodeling of a public facilities, and be able to finance this work with proceeds from a sales and use tax at a rate of up to 0.033 percent, is extended from January 1, 2003, to January 1, 2005.

A public facilities district may defer state and local sales and use taxes imposed on site preparation, construction of buildings or other structures, and acquisition of machinery and equipment for a regional center. Payments of the deferred taxes begin five years after the date the Department of Revenue certifies as the date the regional center is complete, and are made on December 31 of that year and continuing on December 31 of each of the nine following years. Each payment is 10 percent of the deferred taxes and interest shall not be charged.

The admissions tax is imposed on motor vehicle parking rather than automobile parking.

Substitute Bill Compared to Original Bill:

Authorizes multiple public facilities districts to be created by the same county. Expands the types of facilities that public facilities districts may provide. Expressly authorizes public facilities districts created by counties to enter into agreements with public facilities districts created by cities for the joint provision and operation of facilities. Expands the date by which a public facilities district must commence construction or remodeling of a facility to finance the facilities by imposing the 0.033 percent sales and use tax that is deducted from the state's sales and use tax. Allows public facilities districts created by cities to defer sales taxes on its public facilities.

Appropriation: None.

Fiscal Note: Requested on February 19, 2001.

Effective Date of Substitute Bill: Ninety days after adjournment of session in which bill is passed.

Testimony For: This mechanism affords communities great opportunities to provide facilities. This is wonderful for local governments. This is an investment in local government facilities that return tax dollars to the state and local governments. To use the sales tax that is deducted from the state sales tax a district must provide at least a one third local match. This could be used for the Mission Ridge ski facility. We're putting dollars into the general fund. The deferral was in the original bill approved by the House in 1999 but was removed by the Senate. This is one of the pieces of a puzzle to finance a variety of local facilities.

Testimony Against: None

Testified: Jim Sloane, Perkins Coie; Linsay Sovde, Seattle Northwest Securities; Randy Lewis, city of Tacoma; and Dick Little, city of Bellingham.

HOUSE COMMITTEE ON FINANCE

Majority Report: The substitute bill by Committee on Trade & Economic Development be substituted therefor and the substitute bill do pass. Signed by 10 members: Representatives Cairnes, Republican Co-Chair; Morris, Democratic Co-Chair; Berkey, Democratic Vice Chair; Roach, Republican Vice Chair; Carrell, Conway, Pennington, Santos, Van Luven and Veloria.

Staff: Rick Peterson (786-7150).

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

No new changes were recommended.

Appropriation: None.

Fiscal Note: Not Requested.

Effective Date of Substitute Bill: Ninety days after adjournment of session in which bill is passed.

Testimony For: The current program has provided a window of opportunity for a $70 million project in Vancouver that will bring businesses to Washington. This facility will create 900 jobs. The sales tax deferral was part of the bill last year but was pulled out of the bill by the Senate. It is important to the financing of these facilities. It is only a deferral, not an exemption. It is similar to the deferral provided to the stadium projects.

It will take time for the facilities to get up to speed. These facilities will provide a net gain to state revenue even before the tax deferral is repaid. The regional facilities supported by this bill will bring in smaller national conventions to Washington. The bill will allow cities and counties to work together on these projects.

Testimony Against: None.

Testified: Representative Dunn, prime sponsor; Mark Brown, city of Vancouver; Randy Lewis, city of Tacoma; and Doug Levy, cities of Everett, Kent, and Federal Way.