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**SUBSTITUTE HOUSE BILL 1690**

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**State of Washington**

**64th Legislature**

**2015 Regular Session**

**By** House Technology & Economic Development (originally sponsored by Representatives Walkinshaw, Rodne, Tarleton, Magendanz, Fitzgibbon, Stokesbary, Farrell, and Morris)

READ FIRST TIME 02/20/15.

1 AN ACT Relating to providing a tax deferral for the expansion of  
2 certain existing public facilities district convention centers;  
3 amending RCW 36.100.090; and creating a new section.

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

5 NEW SECTION. **Sec. 1.** (1) This section is the tax preference  
6 performance statement for the expanded tax deferral contained in this  
7 act. This performance statement is intended to be used only for  
8 subsequent evaluation of the tax preferences. It is not intended to  
9 create a private right of action by any party or be used to determine  
10 eligibility for preferential tax treatment.

11 (2) The legislature categorizes this tax preference as intended  
12 to provide tax relief for certain businesses or individuals, as  
13 indicated in RCW 82.32.808(2)(e).

14 (3) It is the legislature's specific public policy objective to  
15 insure plans to expand an existing public facilities district  
16 convention center located in a county with a population of one  
17 million five hundred thousand or more may proceed on schedule to take  
18 advantage of attractive financing and construction costs.

19 (4) The legislature finds that the state derives certain economic  
20 benefits from the earliest construction start date for the convention  
21 center's expansion:

1 (a) The loan will be able to take advantage of low interest rates  
2 available in the near term, reducing the total cost of loan  
3 repayment;

4 (b) The state will realize reduced construction costs by pursuing  
5 bids and initiating construction in the near term; and

6 (c) The convention center will begin generating additional  
7 revenues earlier, enabling timely loan repayment.

8 (5) Therefore, in reviewing the success of this tax preference,  
9 the joint legislative audit and review committee must assess:

10 (a) Whether the interest rate obtained on the loan was lower than  
11 it would have been, if the loan was obtained twenty-four months  
12 later;

13 (b) Whether construction costs at the time that meaningful  
14 construction begins are lower than such costs would have been, if  
15 meaningful construction began two years later; and

16 (c) Whether the expanded convention center generated increased  
17 revenues, as measured three years after completion of an expanded  
18 facility, and as compared to the center's average revenues over the  
19 two-year period prior to such completion.

20 (6) For purposes of this section, "meaningful construction" means  
21 an active construction site, where excavation of a building site,  
22 laying of a building foundation, or other tangible signs of  
23 construction are taking place, such that a progression in the  
24 construction process is clearly demonstrated. Planning, permitting,  
25 or land clearing before excavation of a building site, without more,  
26 does not constitute meaningful construction.

27 (7) The joint legislative audit and review committee must conduct  
28 an assessment to determine progress toward achieving economic  
29 benefits by assessing revenues received and projected for the  
30 expansion of the existing convention center, as measured three years  
31 after an expansion of the existing convention center commences  
32 operation.

33 **Sec. 2.** RCW 36.100.090 and 1995 1st sp.s. c 14 s 6 are each  
34 amended to read as follows:

35 (1) The governing board of a public facilities district may apply  
36 for deferral of taxes on the construction of buildings, site  
37 preparation, and the acquisition of related machinery and equipment  
38 for a new public facility. Application (~~shall~~) must be made to the  
39 department of revenue in a form and manner prescribed by the

1 department of revenue. The application (~~shall~~) must contain  
2 information regarding the location of the public facility, estimated  
3 or actual costs, time schedules for completion and operation, and  
4 other information required by the department of revenue. The  
5 department of revenue (~~shall~~) must approve the application within  
6 sixty days if it meets the requirements of this section.

7 (2)(a) The department of revenue (~~shall~~) must issue a sales and  
8 use tax deferral certificate for state (~~and local~~) sales and use  
9 taxes due under chapters 82.08(~~(7)~~) and 82.12(~~(7) and 82.14~~) RCW on  
10 the public facility. The use of the certificate (~~shall be~~) is  
11 governed by rules established by the department of revenue.

12 (b) The sales and use tax deferral certificate may only be issued  
13 for state sales and use taxes on a public facility as defined in  
14 subsection (7)(b) of this section if the public facilities district,  
15 as part of the application process, provides the department of  
16 revenue a signed affidavit stating that the public facility is  
17 designed and shall be constructed to at least the LEED silver  
18 standard, as defined in RCW 39.35D.020.

19 (3)(a) The public facilities district (~~shall~~) must begin paying  
20 the deferred taxes in the fifth year after the date certified by the  
21 department of revenue as the date on which the public facility is  
22 operationally complete. The first payment is due on December 31st of  
23 the fifth calendar year after such certified date, with subsequent  
24 annual payments due on December 31st of the following nine years.  
25 Each payment (~~shall~~) must equal ten percent of the deferred tax.

26 (b) Before the first payment is due under subsection (3)(a) of  
27 this section, a public facilities district seeking a deferral for a  
28 public facility as defined in subsection (7)(b) of this section must  
29 provide to the department of revenue certification from the  
30 department of enterprise services that the facility has been  
31 constructed to at least the LEED silver standard and is operationally  
32 completed. Failure to provide this certification will result in a  
33 five million dollar penalty, divided and due in equal amounts with  
34 each payment of the deferred tax.

35 (4) The department of revenue may authorize an accelerated  
36 repayment schedule upon request of the public facilities district.

37 (5) Interest (~~shall~~) may not be charged on any taxes deferred  
38 under this section for the period of deferral, although all other  
39 penalties and interest applicable to delinquent excise taxes may be  
40 assessed and imposed for delinquent payments under this section. The

1 debt for deferred taxes is not extinguished by insolvency or other  
2 failure of the public facilities district.

3 (6) Applications and any other information received by the  
4 department of revenue under this section are not confidential and are  
5 subject to disclosure. Chapter 82.32 RCW applies to the  
6 administration of this section.

7 (7) As used in this section, "public facility" means:

8 (a) A baseball stadium with a retractable roof or canopy and  
9 natural turf, but does not include any expansion of an existing  
10 baseball stadium that occurs after January 1, 2015; or

11 (b) The expansion of an existing public facilities district  
12 convention center located in a county with a population of one  
13 million five hundred thousand or more.

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