SENATE BILL REPORT
EHB 2388

As Reported By Senate Committee On:
Ways & Means, April 2, 2007

Title: An act relating to financing regional centers with seating capacities less than ten thousand that are acquired, constructed, financed, or owned by a public facilities district.

Brief Description: Financing regional centers with seating capacities less than ten thousand that are acquired, constructed, financed, or owned by a public facilities district.

Sponsors: Representatives Alexander, P. Sullivan and Hunter.

Brief History: Passed House: 3/14/07, 80-16.
Committee Activity: Ways & Means: 3/26/07, 4/02/07 [DPA, w/oRec].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass as amended.
Signed by Senators Prentice, Chair; Fraser, Vice Chair, Capital Budget Chair; Pridemore, Vice Chair, Operating Budget; Zarelli, Ranking Minority Member; Brandland, Carrell, Hatfield, Hobbs, Keiser, Kohl-Welles, Parlette, Rasmussen, Roach and Rockefeller.

Minority Report: That it be referred without recommendation.
Signed by Senators Fairley, Honeyford, Regala and Schoesler.

Staff: Dean Carlson (786-7305)

Background: Public facilities districts (PFDs) are municipal corporations with independent taxing authority and are taxing districts under the State Constitution. There are two enabling statutes, Chapter 36.100 RCW (County PFDs) for counties and Chapter 35.57 RCW (City PFDs) for cities and joint arrangements between a group of cities or a county and one or more cities. Governance provisions are spelled out for these districts.

City PFDs must be located in a county with a population less than one million. City PFDs are authorized to construct, improve, or remodel regional centers. A regional center is a convention, conference, or special events center, and related parking facilities, that costs at least $10 million. A special events center is a facility, available to the public, used for community events, sporting events, trade shows, and artistic, musical, theatrical, or other cultural exhibitions, presentations, or performances. The boundaries of a City PFD are coextensive with the city. However, if the city has been jointly created, the boundaries are coterminous with all cities jointly participating or the unincorporated areas of a county jointly participating. City PFDs may be funded through a combination of: (1) charges and fees for

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the use of facilities by organizations; (2) admission charges; (3) taxes on vehicle parking charges; (4) voter-approved sales and use taxes; (5) credits against the state sales and use tax; (6) voter-approved property taxes; and (7) bonds.

County PFDs may be created in any county. The boundaries of a County PFD are coextensive with the boundaries of the county. Many County PFD provisions were modified as part of the baseball stadium legislation in 1995. County PFDs may construct, improve, or remodel sports facilities, entertainment facilities, convention facilities, or regional centers as defined above. County PFDs may be funded through a combination of: (1) charges and fees for the use of facilities by organizations; (2) taxes on admission charges; (3) taxes on vehicle parking charges; (4) voter-approved sales and use taxes; (5) credits against the state sales and use tax; (6) lodging taxes; (7) voter-approved property taxes; and (8) bonds. A County PFD may also receive a sales and use tax deferral for taxes paid on the construction of a facility with a retractable roof and natural turf. King County contains one County PFD created for the purpose of the construction, maintenance, and operation of Safeco Field, the baseball stadium.

Existing PFDs may impose a sales and use tax within the boundaries of the district. A PFD created after June 30, 2006, may not impose the tax. The rate of tax is 0.333 percent. The tax is a credit against the state sales and use tax.

Summary of Engrossed Bill: A City PFD or County PFD created before September 1, 2007, that commences construction of a new regional center before January 1, 2009, may impose a 0.033 percent sales and use tax. The population within the boundaries of the PFD must be greater than 70,000.

The creation of a City PFD is authorized in a county with a population greater than one million. The city must have a population between 80,000 and 115,000. The construction of the regional center must commence prior to July 1, 2008. A sales and use tax deferral is provided for the construction of the regional center. The district would begin paying deferred taxes in the fifth year after the date the regional center is certified as operationally complete.

A county with a population over one million may create a second County PFD to finance the construction, maintenance, and operation of a regional center owned and operated by a City PFD. The County PFD may impose a sales and use tax at a rate not to exceed 0.0017 percent. The tax is a credit against the state sales and use tax. The County PFD may not impose the tax if the county is currently imposing the sales and use tax under RCW 82.14.0485, which is a tax specifically dedicated to financing the bonds used to construct Safeco Field.

EFFECT OF CHANGES MADE BY RECOMMENDED STRIKING AMENDMENT(S) AS PASSED COMMITTEE (Ways & Means): The provision for a second county-wide PFD in counties over one million is removed. A city in a county with a population over one million may create a PFD and impose the 0.033 percent sales and use tax credited against the state portion of the sales tax. The sales tax deferral is removed.

Appropriation: None.

Fiscal Note: Striking amendment requested on March 30, 2007.

Committee/Commission/Task Force Created: No.

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

Staff Summary of Public Testimony: PRO: This seeks to finance the Kent Center. The city is committed to finance up to $40 million dollars of the cost of the facility. That is two thirds of the cost. Our plan is to begin construction in June. Delay is expensive as construction costs are escalating rapidly. The state help is needed and we believe that it is fair for the state to partner with us as it will bring in up to $50 million in taxes. We have already committed $4 million on studies. The city of Kent will be a loser in the streamline bill and needs the economic diversity.

The REQ center will help Lewis County to mitigate the jobs lost by the mine. This is about 90 percent private money and 10 percent public. Our goal is to build a 7,000 seat spectator area to serve the equestrian community. This project is a good example of just what the PFD legislation was intended to help create – public/private partnerships for economic development. Our investor group has committed their capital resources to begin the land use change process. This gives a strong boost to agriculture and tourism in Lewis County. There is broad based support in the county for this project

Persons Testifying: PRO: Representative Alexander, prime sponsor; Representative Sullivan, cosponsor; Suzette Cooke, City of Kent; Len McComb, City of Kent; Larry Hewitt, REQ Center; Bill Lotto, Lewis County Economic Development Council.