

# DEPARTMENT OF TAXATION

## 2020 Fiscal Impact Statement

1. **Patron** Jeffrey M. Bourne

2. **Bill Number** HB 1345

3. **Committee** House Counties, Cities and Towns

**House of Origin:**

  X   **Introduced**

       **Substitute**

       **Engrossed**

4. **Title** City of Richmond; Financing of an Arena

**Second House:**

       **In Committee**

       **Substitute**

       **Enrolled**

### 5. **Summary/Purpose:**

This bill would grant the City of Richmond (“the City”), or an economic development authority established by the City, powers relating to construction of an arena and development project, including the authority to:

- Issue bonds for construction of an arena and development project;
- Receive state sales and use tax revenue that is attributable to the arena and development project; and
- Use such revenue to repay the bonds.

The City’s entitlement to state sales and use tax revenue would expire on the earliest of (i) the date of the final payment of any bonds issued to finance or refinance any cost of the arena and development project or (ii) 35 years from the initial date that any bonds were issued to pay any cost of the arena and development project.

If enacted during the Regular Session of the 2020 General Assembly, this bill would become effective July 1, 2020.

6. **Budget amendment necessary:** No

7. **Fiscal Impact Estimates are:** Not available. (See Line 8.)

### 8. **Fiscal implications:**

#### Administrative Costs

The Department of Taxation (“the Department”) considers implementation of this bill as routine and does not require additional funding. This bill could result in unknown administrative costs to the City of Richmond.

## Revenue Impact

The proposed legislation would result in an unknown revenue loss for the Commonwealth and an unknown revenue gain for the City.

### **9. Specific agency or political subdivisions affected:**

Department of Taxation  
City of Richmond

### **10. Technical amendment necessary: No**

### **11. Other comments:**

*Virginia Code* § 58.1-608.3 (formerly the Public Facilities Act) allows sales tax revenue attributable to sales in new or substantially and significantly renovated or expanded public facilities to be transferred back to municipalities to pay the costs of the bonds issued to finance such facilities.

Legislation enacted in 2019 granted the Virginia Beach certain powers relating to construction of a sports or entertainment project and any related facilities, including the authority to (i) issue bonds to construct a sports or entertainment project, (ii) receive state sales and use tax revenue that is attributable to such project, and (iii) use such revenue to repay such bonds. The legislation provided that the City of Virginia Beach's entitlement to state sales and use tax revenue would expire on July 1, 2039.

## Proposal

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The City's entitlement to state sales and use tax revenue would expire on the earliest of (i) the date of the final payment of any bonds issued to finance or refinance any cost of the arena and development project or (ii) 35 years from the initial date that any bonds were issued to pay any cost of the arena and development project.

The sales and use tax entitlement would exclude the revenue generated by (i) the 0.5 percent tax paid into the Transportation Trust Fund; (ii) the 1.0 percent tax distributed to counties and cities on the basis of school-age population; and (iii) the 0.7 sales tax imposed in Northern Virginia and Hampton Roads for regional transportation purposes.

If enacted during the Regular Session of the 2020 General Assembly, this bill would become effective July 1, 2020.

Similar Legislation

**House Bill 120** would extend the City of Virginia Beach’s entitlement to state sales tax revenue attributable to a sports or entertainment project, which under current law will expire on July 1, 2039, to July 1 following the twentieth anniversary of the completion of construction of the project.

**House Bill 559** would authorize the City of Norfolk to use state sales tax revenue attributable to an arena to repay bonds issued to finance the project.

**House Bill 906, Senate Bill 163, and Senate Bill 559** would add the City of Chesapeake to the list of localities that are authorized to use state sales tax revenue attributable to a public facility to repay bonds issued to finance the facility. It also adds outdoor amphitheaters to the list of authorized public facilities and extends from July 1, 2020 to July 1, 2024, the period of time during which eligible localities may issue bonds that qualify for the public facility sales tax entitlement.

**House Bill 1102** would create the Hampton Roads Regional Arena Authority and grant it certain powers relating to construction of an arena and facility. Among those powers is the authority to (i) issue bonds to construct the arena and facility, (ii) receive state sales and use tax revenue that is attributable to the arena and facility, (iii) use such revenue to repay such bonds, and (iv) distribute any excess revenue to any Hampton Roads locality that elects to contribute to the financing of the construction of an arena and facility.

cc: Secretary of Finance

Date: 1/30/2020 SK  
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