

SENATE BILL REPORT

ESB 5958

As Failed Senate, May 19, 2011

Title: An act relating to providing local government funding of tourism promotion, workforce housing, art and heritage programs, and community development.

Brief Description: Providing local government funding of tourism promotion, workforce housing, art and heritage programs, and community development.

Sponsors: Senators White, Kohl-Welles and Keiser.

Brief History:

Committee Activity: Government Operations, Tribal Relations & Elections: 5/17/11 [DP].
Failed Senate: 5/19/11, 24-22.

SENATE COMMITTEE ON GOVERNMENT OPERATIONS, TRIBAL RELATIONS & ELECTIONS

Majority Report: Do pass.

Signed by Senators Pridemore, Chair; Prentice, Vice Chair; Chase and Nelson.

Staff: Sharon Swanson (786-7447) and Dean Carlson (786-7305)

Background: In King County, the 2 percent state-shared hotel-motel tax is used for retiring the debt on the Kingdome; arts and heritage programs; and after 2015, or earlier if the debt is repaid, for repaying the debt on the football stadium and exhibition center, and for youth athletic facility grants to cities, counties, or nonprofit organizations if sufficient money is available. King County is exempt from providing a tax credit for similar city hotel-motel taxes.

At the end of 2012 the distribution of the state-shared hotel-motel tax to arts, cultural, and heritage programs is scheduled to stop. Currently, 40 percent of these distributions are deposited into a county permanent and irreducible arts fund (Permanent Arts Fund) of which only the earnings on the fund may be spent on current programs.

In 1995 the Legislature authorized financing for a new baseball stadium in King County. The state's contribution included a credit against the state sales tax of 0.017 percent of taxable retail sales in King County, sports-themed lottery revenues, and commemorative ballpark license plates. King County was authorized to impose a special 0.5 percent sales tax on food

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and beverages in King County restaurants, taverns, and bars; a 2 percent sales tax on car rentals in King County; and admission taxes at the new ballpark. The baseball team also contributed to the construction of the facility. One of the 5 percent admissions taxes is dedicated to paying unanticipated capital costs excluding cost overruns on the initial construction. The 0.017 percent sales tax credit, the 0.5 percent tax on restaurant meals, the lottery revenue, and the 2 percent car rental tax all end when construction bonds are paid which is expected to be in the latter half of 2011. The authority for a second 5 percent admissions tax, which was never imposed, also ends when the construction bonds are paid.

The baseball stadium was developed by the Washington State Major League Baseball Stadium Public Facilities District. Public facility districts are authorized to impose certain taxes with approval of the voters of the district including a tax of up to 10 percent on parking at facilities owned or leased by the public facility district.

All counties are authorized to impose a 1 percent car rental tax. The revenue from the 1 percent car rental tax may be used for public stadium facilities and youth or amateur sports activities or facilities.

In 2007 the Legislature established the Pioneer Square–International District community preservation and development authority within the boundaries of the Pioneer Square–International District within the city of Seattle.

Summary of Engrossed Bill: After current obligations to stadium debt are paid, revenue from the 2 percent state-shared hotel-motel tax in King County is directed to a new local fund in King County: MLK Workforce Housing, Arts and Preservation, Convention and Trade Center, and Community Development Fund (Fund). The following revenue will also be deposited into the Fund: the 0.5 percent restaurant tax (extended until December 31, 2015), the 2 percent car rental tax (extended until December 31, 2015), and 75 percent of the 1 percent car rental tax. The authorization to extend the restaurant tax and the 2 percent car rental tax is contingent on the following distribution of funds from the Fund beginning in 2012:

- Art, cultural and heritage programs - \$1 million in 2012; \$2 million from 2013-2020; and 32.5 percent of the hotel-motel tax from 2021 and each year thereafter.
- Housing - \$1 million in 2012; \$4 million from 2013-2020; and 25 percent of the hotel-motel tax from 2021 and each year thereafter. At least 40 percent of the funds must be provided for affordable workplace housing in Seattle and at least 40 percent must be provided for affordable workplace housing in the rest of the cities. At least 5 percent of the funds must be dedicated to services for the homeless youth.
- Pioneer Square–International District Community Preservation and Development Authority and Seattle Southside Visitor Services - \$1 million divided equally from 2012-2015; and \$500,000 divided equally from 2016-2020.
- Of the remainder an amount that will support at least \$140 million for construction, expansion, or repair of the Washington State Convention Center, and funding for capital or operating programs that promote tourism and attract tourists to the county.

The use of funds for the purpose of acquiring or constructing a new stadium used by a professional sports franchise or the use of funds for the purpose of acquiring, constructing, repairing, or improving a facility used by a state university is not allowed.

Beginning January 1, 2013, the principal of the Permanent Arts Fund may be used for current programs.

The Washington State Major League Baseball Stadium Public Facilities District is authorized to impose the 10 percent parking tax at a parking facility owned or leased by the district without voter approval. The revenue from the tax must be used for repair, re-equipping, and capital improvement of the baseball stadium. The permitted uses of the county 5 percent admissions charge is changed to fund repair, re-equipping, and capital improvement of the baseball stadium.

The extensions of 2 percent rental car tax and the 0.5 percent food and beverage tax, as well the spending of funds dedicated to the account, may not occur until it has been approved by a majority of the voters in the county.

The time that Yakima County may continue to receive the hotel/motel tax within the city of Yakima is extended until 2035. The requirement that any organization that receives funds from the hotel/motel tax distribution in Yakima receive a annual financial audit is removed.

Appropriation: None.

Fiscal Note: Not requested.

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: In these difficult times, voters expect their representatives to create jobs and promote economic development. This has a broad coalition of supporters. This will provide a stable stream of funding for arts funding in King County. This also provides a stable stream of funding for workforce housing. This will also allow the much need expansion of the convention center. We are in need of ways to return people to work. This bill will do that. This will improve the states tax base for the benefit of all. The restaurant association is in support of this bill. This hits two key principles we have always had in that the tax sunsets in 2015 and that the investments will help the restaurant business. Art, cultural, and scientific organization help create thousand of jobs in the state. Thirteen point two million visits were to our arts, culture, and scientific organization in Central Puget Sound. 4Culture supports thousands of arts programs. If the Legislature does not take action there will be a 90 percent cut in arts, heritage, and culture programs. 4Culture not only provides grant funding, but knowledge for implementing the programs. The statewide impact of the construction job loss can't be over stated. In the Seattle area there is about 35 percent of construction workers out of work. This will provide 4500 construction related jobs and impact future employment. This is a great opportunity for the convention center to move their project ahead at least three years ahead of time when the jobs are desperately needed. Affordable housing around transit areas is critical. Linking affordable housing to transit areas makes tremendous sense. This helps some of the same workers employed by the service industries. Tourism and our convention center are strong economic drivers in the county. Tourism is responsible for 5.5 percent in state sales tax collection. The convention

center is undersized, and we are turning away visitors. The hotels benefit from the convention center. We have a deficit on what businesses are able to pay in salary and for what it costs for housing. Workforce housing in this bill is an important mix.

CON: In 1995 the people voted against stadium funding. The Legislature went ahead anyway. The time has now come for the taxes to expire. Sixty-two percent of the rental car taxes come from the home city and not tourists. Our customers who rent a car pay 19.2 percent. Some people will not book conventions in Seattle because of high taxes. When our elected officials promise something, they need to keep their promise. If the state needs this money it should be voted on. Seattle has the fifth highest rental car taxes in the country. This bill penalizes constituents and the local economy. This bill is an example of people's mistrust of the government. We heard promises that these taxes were temporary. This bill comes forward at a time when taxpayers are hurting. The key aspect of this bill is the extension of taxes against the promises of this body. The people of Seattle oppose this bill. This is the wrong time to raise taxes on Washington families.

Persons Testifying: PRO: Senator White, Prime Sponsor; Fred Jarrett, Deputy King County Executive; Bruce Beckett, Washington Restaurant Association; Josh LaBelle, Seattle Theater Group; Larry Phillips, King County Council; Terry Tilton, Washington State Building and Construction Trades Association; Becky Bogard, Washington State Convention Center; Rick Slunaker, Associated General Contractors; Rebecca Johnson, Washington State Labor Council; Amanda Stoddard, The Satori Group; Jenne Neptune, Seattle Hotel Association; Dale Smith, Board President, 4Culture; Liz Stewart, Renton Historical Museum; Patricia Cosgrove, White River Valley Museum; Kate Becker, Seattle Theater Group; Jean Burbridge, City Council of Federal Way; Megan Hyla, King County Housing Authority; Ron Newbry, Greg Stewert, Central Washington Fair Association; Chris Vandyk, Citizens for More Important Things; George Allen, Greater Seattle Chamber of Commerce; MaryEllen Bowers, resident; Louise Miller, Seattle Opera; Nicole Grant, International Brotherhood of Electrical Workers; April Putney, Futurewise.

CON: Matt Brady, Enterprise Rent a Car; Doris Cassan, Dollar Rental; Raj Vhan, National Alamo Rent a Car; Caleb Heimlich, Washington State Republican Party; Tim Eyman, citizen.