

HOUSE BILL REPORT

HB 2214

As Reported by House Committee On:
Transportation

Title: An act relating to the reasonable costs of financing consolidated rental car facilities and common use transportation equipment and facilities.

Brief Description: Concerning the reasonable costs of airport operators financing consolidated rental car facilities and common use transportation equipment and facilities.

Sponsors: Representative Simpson.

Brief History:

Committee Activity:

Transportation: 2/19/09, 2/27/09 [DPS].

Brief Summary of Substitute Bill

- Allows an airport operator to finance, at a reasonable rate of return, a consolidated car rental and common use transportation equipment and facilities.

HOUSE COMMITTEE ON TRANSPORTATION

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 24 members: Representatives Clibborn, Chair; Liias, Vice Chair; Roach, Ranking Minority Member; Rodne, Assistant Ranking Minority Member; Armstrong, Campbell, Cox, Eddy, Ericksen, Finn, Flannigan, Herrera, Johnson, Klippert, Moeller, Morris, Rolfes, Sells, Simpson, Springer, Takko, Wallace, Williams and Wood.

Minority Report: Do not pass. Signed by 1 member: Representative Upthegrove.

Staff: Jerry Long (786-7306)

Background:

In 2005 the Legislature passed Substitute Senate Bill 5584 authorizing municipal airports to levy a customer finance charge (CFC) on rental car patrons at the airport for the purpose of

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financing the design, construction, and operation of a consolidated rental car facility and common use bus system. Rental car companies would collect the CFC as part of each rental car agreement and then the municipality would use the revenue for the costs associated with the facility, common use busing operations, and the debt service on the bonds used to finance the construction of the facility.

Rental car facilities at the Seattle-Tacoma International Airport (SeaTac) are located at numerous sites near the airport as well as the first two floors of the airport parking garage. The plan is to consolidate the rental car facilities off site and utilize a common use busing system to shuttle passengers between the rental car facility and the airport. The intent is to reduce airport congestion and increase parking space in the airport garage.

In 2008 the Port of Seattle (Port) began construction of a consolidated rental car facility at SeaTac. Construction and operation of the facility is funded with CFCs collected from rental car customers. Project financing (approximately \$400 million) was anticipated to be completed with a bond issue in mid-2008, which would be backed by revenues collected from the CFC. Continued construction of the facility required the sale of the bonds. Due to taxable municipal bond markets being affected by the economic downturn, the Port delayed issuing bonds, hoping for an economic recovery. They now find the bond market unfavorable for bond sales.

Summary of Substitute Bill:

If an airport operator uses its own funds to finance the consolidated car rental and common use facilities, the airport operator is entitled to earn a rate of return on such funds no greater than the interest rate the airport operator would have to pay to finance such a facility in the appropriate capital market.

The airport operator establishes a rate of return in consultation with the rental car companies.

The airport operator may use the funds earned on the money financed for purposes other than those associated with the consolidated rental car facility and common use transportation equipment and facilities.

Substitute Bill Compared to Original Bill:

An emergency clause is added to restart the project immediately and get workers back to work.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Substitute Bill: The bill contains an emergency clause and takes effect immediately.

Staff Summary of Public Testimony:

(In support) Continued construction of the facility requires the sale of bonds, but due to taxable municipal bond markets being affected by the economic downturn, the project has been stopped. This has caused approximately 500 layoffs and has indirectly affected another 2,500 jobs. It has also postponed the opportunity of training apprentices on the project.

The Port of Seattle, labor, and government have all worked together on this project and SeaTac can loan the project the funds needed to get the project started again and put people back to work. This bill gives the authority needed to arrange the loan for the project. This bill is not just for SeaTac, but can be used by any other municipal airport. By not getting the project up and going again, there is a loss of jobs to the state with the state not collecting revenues for sales and use taxes (\$44 million) and having to pay out unemployment benefits to several hundred laid off workers and affecting over 50 subcontractors.

(Opposed) None.

Persons Testifying: Representative Simpson, prime sponsor; Lee Neugent, Seattle Building Trades; Linda Hull and Clare Gallagher, Port of Seattle; and Tom Balbo and Jack Beavdoin, Ferguson Construction.

Persons Signed In To Testify But Not Testifying: None.