# SENATE BILL REPORT
# SSB 6889

As Passed Senate, March 20, 2010

**Title**: An act relating to the governance and financing of the Washington state convention and trade center.

**Brief Description**: Concerning the governance and financing of the Washington state convention and trade center.

**Sponsors**: Senate Committee on Ways & Means (originally sponsored by Senators McDermott, Kohl-Welles, Kline, Murray, Prentice, Keiser, McAuliffe, Kauffman and Hewitt).

**Brief History:**
**Committee Activity**: Ways & Means: 3/17/10, 3/19/10 [DPS, w/oRec].
**First Special Session:** Passed Senate: 3/20/10, 39-1.

## SENATE COMMITTEE ON WAYS & MEANS

**Majority Report**: That Substitute Senate Bill No. 6889 be substituted therefor, and the substitute bill do pass.
Signed by Senators Prentice, Chair; Fraser, Vice Chair, Capital Budget Chair; Tom, Vice Chair, Operating Budget; Zarelli, Ranking Minority Member; Fairley, Hobbs, Honeyford, Keiser, Kline, Kohl-Welles, McDermott, Murray, Parlette, Pflug, Pridemore, Regala, Rockefeller and Schoesler.

**Minority Report**: That it be referred without recommendation.
Signed by Senator Carrell.

**Staff**: Richard Ramsey (786-7412)

**Background**: The Washington State Convention and Trade Center (Center) is a public nonprofit corporation created by the Legislature in 1982. The Center is governed by a nine-member board of directors appointed by the Governor. Initial construction of the Center facility was completed in 1988 and financed through state-issued general obligation bonds, which are projected to be retired by Fiscal Year 2020. Expansion of the Center, authorized by the Legislature in the 1995-97 biennium, was completed in Fiscal Year 2002 and financed through the use of Certificates of Participation, which are expected to be paid off by Fiscal Year 2029.

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

The Center receives revenue from three sources: operations of the convention and trade center; receipts from the transient rental tax, also known as hotel/motel tax; and a credit against the state retail sales tax for hotel/motel stays.

The transient rental tax applies to hotels and motels with at least 60 rooms in King County; the rate is 7 percent in Seattle and 2.8 percent in King County, outside of Seattle. Proceeds are distributed to the Center Capital (85.7 percent) and Operations (14.3 percent) Accounts. The City of Seattle imposes a 2 percent tax (local convention center tax) to the same charges for accommodations as the hotel/motel tax. The 2 percent tax is credited against the state retail sales tax, so that it does not increase the cost of room rentals to customers. All of the revenues are deposited in the State Convention and Trade Center Account and are dedicated to costs of expanding the convention center. Thus, the effect of this tax is to shift funds from the state General Fund to the State Convention and Trade Center Account within the State Treasury.

Public facilities districts (PFD) are municipal corporations and independent taxing districts. A PFD may be created by resolution of the county legislative authority and their boundaries are coextensive with those of the county. Public facilities districts are authorized to acquire, build, own, and operate sports facilities, entertainment facilities, or convention facilities or any combination of such facilities, and for districts formed after January 1, 2000, recreational facilities other than ski areas together with contiguous parking facilities.

**Summary of Substitute Bill**: An additional PFD in King County may be created for the purpose of acquiring and operating the convention and trade center transferred from the public nonprofit corporation that operates the Center.

The new PFD is governed by a nine-member board of directors. Three members are appointed by the Governor, three by King County, and three by the City of Seattle. At least one of the Governor's appointments and one of the county appointments must be a representative of the lodging industry. One of the city's appointments must be a representative of organized labor. The initial board of the PFD is made up of the nine-member board of the Center. The Governor must designate which of the initial board members must serve two-year terms and which must serve four-year terms. Four of the initial nine board members must serve two-year terms of office.

A PFD created for the purpose of acquiring and operating the Center may contract with the Seattle-King County Convention and Visitors' Bureau to market the convention center. King County may acquire property by condemnation for the purposes of the new PFD.

The Center will be transferred to the new PFD when provisions are made for all of the debt and certificate of participation obligations of the state on the convention center to be redeemed, prepaid, or defeased; for the balance in the State Convention and Trade Center Operations Account, the State Convention and Trade Center Account, and other accounts related to the convention center are transferred to the new PFD less any amounts identified for transfer to the state General Fund prior to the transfer of the convention center to the PFD; for the imposition of lodging taxes by the new PFD; for transfer of the assets and liabilities of the public nonprofit corporation to the new PFD; for the execution of a settlement agreement of the court case related to the convention center funds; for payment of fees, costs, and expenses related to the transfer; and for payment of an amount to the state equal to the value of the 2 percent sales tax credit for Fiscal Year 2011.

The new PFD is authorized to impose lodging taxes on hotels, motels, and similar facilities with at least 60 units. The rate is 7 percent in Seattle and 2.8 percent in the rest of King County. In addition, the new PFD may impose a 2 percent lodging tax in Seattle that credits against the state sales tax rate.

Starting in the first full fiscal year after the Center is transferred to the new PFD, annual payments will be made to the state in an amount equal to the amount of the state tax credit plus an interest charge equal to the average annual return for the prior calendar year for Washington State Local Government Investment Pool. The 2 percent tax may be imposed only for paying the debt of the PFD and making the annual payment to the state. The 2 percent tax ends on the earlier of July 1, 2029, or the date the debt was issued to redeem, prepay, or defease the state's obligations related to the Center. If the new PFD is not able to make the annual payment due to insufficient tax revenue to pay debt, then any deficiency will be considered a loan from the state, and principal and interest must be paid on the loan. The interest on the loan must be equal to the 20 bond general obligation bond buyer index plus 1 percentage point. The length of the loan is not specified.

The new PFD is authorized to designate a qualified person other than the county treasurer to serve as its treasurer. This may include a fiscal agent, paying agent, or trustee for obligations issued or incurred by the district.

The securities of the new PFD are eligible investments for the state and other public entities. The new PFD is eligible to participate in the State Treasurer's Local Option Capital Asset Lending program (local government pooled financing program).

**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 on Draft Bill S-5541.1**: PRO: The Convention and Trade Center (Center) attendees/visitors do many things in Seattle and Washington State. This bill sets up the Center in good position for future expansion. The bill places the Center in a similar position to other convention and trade centers in the state and is part of the settlement of the lawsuit brought by the Seattle hotels. If the bill passes, the $57 million transferred to the General Fund from the Center account in the 2007-09 biennium will not have to be repaid to the Center. The state will still get the economic benefit of the Center but won't be responsible financially for it. A vibrant convention center is an essential part of sustaining jobs and the Seattle/King County economy. This should be viewed as a jobs bill. Expansion of the Center will occur as the market dictates; expansion may result in 2,500 construction jobs – which is significant given 30 percent unemployment in this labor sector.

**Persons Testifying**: PRO: Senator McDermott, prime sponsor; Becky Bogard, Seattle Convention and Visitors Bureau; Gerry Johnson, K&L Gates; Craig Schafer, Tourism Alliance; John Christison, WA State Convention and Trade Center; Genesee Adkins, King County Executive's Office; Dave Johnson, WA State Building Trades, WA State labor Council.