

HOUSE BILL REPORT

HB 1997

As Reported by House Committee On: Ways & Means

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

Brief Description: Providing economic development by funding tourism promotion, workforce housing, art and heritage programs, and community development.

Sponsors: Representatives Orwall, Kenney, Goodman, Fitzgibbon, Maxwell, Santos and Pedersen.

Brief History:

Committee Activity:

Ways & Means: 2/22/11, 2/25/11 [DPS].

Brief Summary of Substitute Bill

- Directs stadium-related tax sources in King County to a dedicated account once the obligations for stadium debt are paid.
- Requires that money in the dedicated account be used for arts and heritage programs, affordable housing provided by nonprofit organizations and housing authorities, community development, and the Washington State Convention Center.
- Disallows the use of money in the dedicated account for acquiring or constructing a stadium used by a professional sports franchise or for acquiring, constructing, repairing, or improving a facility used by a state university.
- Eliminates the 75 percent dedication of the 1 percent car rental tax to public stadium facilities for all counties except King County.

HOUSE COMMITTEE ON WAYS & MEANS

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 16 members: Representatives Hunter, Chair; Darneille, Vice Chair; Hasegawa,

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.

Vice Chair; Carlyle, Cody, Dickerson, Haigh, Hudgins, Hunt, Kagi, Kenney, Ormsby, Pettigrew, Seaquist, Springer and Sullivan.

Minority Report: Do not pass. Signed by 11 members: Representatives Alexander, Ranking Minority Member; Bailey, Assistant Ranking Minority Member; Dammeier, Assistant Ranking Minority Member; Orcutt, Assistant Ranking Minority Member; Chandler, Haler, Hinkle, Parker, Ross, Schmick and Wilcox.

Staff: Rick Peterson (786-7150).

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. As a result, King County benefits from a double credit against state sales for hotel stays in Bellevue. The double credit is scheduled to stop at the end of 2012.

Also scheduled to stop at the end of 2012 is the distribution of a portion of the 2 percent state-shared hotel-motel tax to arts and heritage programs. Forty 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 addition to the 2 percent hotel-motel tax, the debt on the professional football stadium and exhibition hall is being retired by revenue from a credit against the state sales tax of 0.016 percent of taxable retail sales in King County and additional lottery games.

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 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. 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.

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. However, 75 percent of the revenue must be used for public stadium facilities.

Summary of Substitute 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 (until December 31, 2015, when it expires), the 2 percent car rental tax (which is extended indefinitely), 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.

Beginning in 2012, distributions from the Fund are made as follows:

1. through 2020, \$3 million per year (adjusted for inflation) to art museums, cultural museums, heritage museums, heritage and preservation programs, the arts, and the performing arts, and, after 2020, 37.5 percent of the 2 percent state-shared hotel-motel tax;
2. through 2020, \$5 million per year (adjusted for inflation) to nonprofit organizations or public housing authorities for affordable workforce housing near transit stations, and, after 2020, 37.5 percent of the 2 percent state-shared hotel-motel tax;
3. \$1 million (adjusted for inflation) to the Pioneer Square–International District community preservation and development authority for historic preservation, economic revitalization, or tourism-related purposes; and
4. the remainder for construction, expansion, or repair of the Washington State Convention Center.

The use of funds for the purpose of acquiring or constructing a 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 75 percent dedication of the 1 percent car rental tax to public stadium facilities is eliminated for all counties except King County.

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.

Substitute Bill Compared to Original Bill:

The substitute bill disallows the use of funds for the purpose of acquiring or constructing a 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. The substitute bill eliminates the 75 percent dedication of the 1 percent car rental tax to public stadium facilities for all counties except King County.

Appropriation: None.

Fiscal Note: Preliminary fiscal note available.

Effective Date of Substitute Bill: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) This bill will allow taxes raised in King County to help the local economy and the state economy by creating jobs and promoting prosperity. The bill will allow the expansion of the state convention center. This will increase employment statewide by about 4,500 construction jobs and 3,000 permanent jobs. It will draw 130,000 more people to the region. The current facility is falling behind due to size limitations. Arts funding will end next year unless additional funding is provided. The arts create a \$1.75 billion economic impact. The additional money for workforce housing will also create new jobs. The bill is about people — people that work downtown in hotels and restaurants. Two additional downtown hotels will also be built. The focus is on tourism. High rents and low vacancy rates means that low-income workers pay over \$1,000 per month in rent. This is the eighth year for working on the 4Culture funding fix. The ability to access the arts endowment is important. The \$3 million per year plus drawing from reserves will allow a continuation of the current funding levels. Please accommodate other tourism and economic development projects. Federal Way has made significant progress on a 500 to 700 seat performing arts/conference center. It will generate over 200 ongoing jobs. Please support economic development in the Pioneer Square–International District. Through funds from 4Culture historical organizations present, protect, and interpret the history of the county. Heads in beds means butts in seats — increased tourism is important for theaters.

(With concerns) We support tourism but please allow a portion of the money to go to public health. There has been a severe decline in the county's public health budget (-22 percent.) Many public health activities support tourism. Sea-Tac has 11,000 hotel rooms and next to Seattle they are the second largest source of hotel/motel tax revenue in the county. The direction of tourism spending by King County may not reflect the priorities of Sea-Tac. Please include funding for human services. Please relieve the other counties from the requirement to spend 75 percent of 1 percent rental car tax on public stadium facilities. Pierce County no longer owns a stadium and would like spend the money on youth sports activities.

(Opposed) In 1995 the voters turned down funding for the stadium. When the Legislature adopted these taxes, they promised the taxes would expire when the stadium was paid off. Sixty percent of the car rental tax is imposed on local people. These are low-income people, small business, and nonprofits. The total tax on rental cars is now 19.2 percent. Our customers need a break. Please allow the rental car tax to expire.

Persons Testifying: (In support) Representative Orwall, prime sponsor; Dow Constantine, King County Executive; Lee Newgent, Seattle-King County Building and Construction Trades Council; George Allen, Greater Seattle Chamber of Commerce; Harry Hoffman, Housing Development Consortium; Louise Miller; Bruce Beckett, Washington Restaurant Association; Matt Larson, City of Snoqualmie; Hyeok Kim, InterIm Community Development Association; Josh Labelle, Seattle Theater Group; Johnny O'Brady, Local 619; Stefan Moritz, Unite Here; and John Chaney, Association of King County Historical Organizations.

(With concerns) Sofia Aragon, Washington State Nurses Association; Joe Daniels, City of SeaTac; Kelsey Beck, King County Health Community Coalition; Jean Burbidge, Federal Way City Council; and Nick Federici, Washington Low Income Housing Alliance.

(Opposed) Shane Skinner, Enterprise Car Rental.

Persons Signed In To Testify But Not Testifying: None.