

# SENATE BILL REPORT

## SHB 1997

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As of April 1, 2011

**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:** House Committee on Ways & Means (originally sponsored by Representatives Orwall, Kenney, Goodman, Fitzgibbon, Maxwell, Santos and Pedersen).

**Brief History:** Passed House: 3/04/11, 55-42.

**Committee Activity:** Ways & Means: 3/30/11.

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### SENATE COMMITTEE ON WAYS & MEANS

**Staff:** 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. 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

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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 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 from the Fund beginning in 2012:

- 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;
- 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;
- \$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
- 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.

**Appropriation:** None.

**Fiscal Note:** Available.

**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: This bill is about building prosperity and getting people back to work. The expansion of the convention center will bring 130,000 people to Washington each year. It supports more than 250 heritage and arts organizations in King County. This will support workforce housing for service industries. The Restaurant association is o.k. with this bill because it adheres to the original plan of the tax expiring in 2016. This bill also helps restaurants. The money paid for this will largely come from outside of the community and will have great benefit for the community. The \$150 million for the convention centered will be leverage to about \$700 million. This is a jobs bill for the construction industry, visitor industry, and cultural organizations. Every single county has bought tickets for events at Seattle Center. These dollars support a small portion of many organizations to keep them open, and they are leveraged by private funds. Google located here partly because of the vibrant culture here. If the Legislature doesn't act this session, 4Culture's funding will be reduced by 90 percent. This bill is broadly supported by the County Council. Arts, cultural, and scientific programs directly create thousands of jobs and bring in lots of money from outside the region. This bill will help people get back to work. We support the fact that this will stimulate local economies. It is not just family wage jobs that are boosted from more construction but this bill puts more money in the pockets of everyone. The statewide impact of the construction job loss can't be over stated. In the Seattle area there is about 35 percent 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 at a 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 won't 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. You pay more in taxes than you pay in the rate for a rental car.

**Persons Testifying:** PRO: Dow Constantine, King County Executive; Bruce Beckett, Washington Restaurant Association; Rick Slunaker, Associated General Contractors; Bill Finkbeiner, Louise Miller, Dale Smith, 4Culture; Larry Phillips, King County Council; Dave Johnson, Washington State Building and Construction Trade Council; John Christianson, Washington Convention Center; Teresa Mosqueda, Washington State Labor Council; Howard Cohen, Clise Hotels, Jenne Neptune, Alexis Hotel, Seattle Hotel Association; April Putney, Futurwise; Howard Hoffman, Housing Development Constortium.

CON: Shane Skinner, Enterprise Rent a Car; Doris Casson, Dollar Rent a Car; Raj Vhon, Alamo Rental Car.