

# SENATE BILL REPORT

## SB 5741

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As Reported by Senate Committee On:  
Trade & Economic Development, February 4, 2014

**Title:** An act relating to allowing the use of lodging taxes for financing workforce housing and tourism promotion activities or facilities.

**Brief Description:** Allowing the use of lodging taxes for financing workforce housing and tourism promotion activities or facilities.

**Sponsors:** Senators Fain, Nelson, Kohl-Welles, Brown and Kline.

**Brief History:**

**Committee Activity:** Trade & Economic Development: 2/19/13, 2/21/13; 1/23/14, 2/04/14 [DPS].

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### SENATE COMMITTEE ON TRADE & ECONOMIC DEVELOPMENT

**Majority Report:** That Substitute Senate Bill No. 5741 be substituted therefor, and the substitute bill do pass.

Signed by Senators Braun, Chair; Angel, Vice Chair; Chase, Ranking Member; Holmquist Newbry, Liias and Pedersen.

**Staff:** Edward Redmond (786-7471)

**Background:** A hotel-motel tax is a special sales tax on lodging rentals by hotels, motels, rooming houses, private campgrounds, RV parks, and other similar facilities. Cities and counties are authorized to levy a basic or state-shared hotel-motel tax of up to 2 percent. These taxes are credited against the state sales tax on the furnishing of lodging. Other hotel-motel taxes are imposed in addition to ordinary state and local sales taxes and are added to the amount paid by the customer. The latter type is often referred to as a special hotel-motel tax. Lodging tax revenues may be used by local jurisdictions for operations expenditures for tourism promotion as well as to fund and operate festivals and special events designed to attract tourists. Lodging tax revenues may also be used for capital expenditures for tourism-related facilities owned or operated by municipalities or public facility districts.

Beginning in 1989, the hotel-motel tax in King County not only applied to servicing the debt on the Kingdome, but a portion of the tax revenues above \$5.3 million per year was dedicated to arts and heritage programs in King County. Prior to 2008, 70 percent of the

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excess revenue was dedicated to the arts and heritage programs; however, 40 percent of the arts revenue is for the arts endowment fund, of which the principal cannot be touched. The remaining 30 percent of the revenue in excess of \$5.3 million is dedicated first to retiring the Kingdome's debt, then to acquisition of open space lands, youth sports activities, and tourism promotion. This must continue until the Kingdome debt is retired; then the full portion of the local hotel-motel tax in King County is dedicated to retiring the debt on CenturyLink Field.

In 2011 the Legislature passed ESSB 5834 which contained the following provisions:

- the 40 percent distributions of arts and heritage funds from the hotel-motel tax is no longer distributed to the endowment fund, but instead is distributed to an account dedicated to art museums, cultural museums, heritage museums, the arts, and performing arts;
- at the time the bonds used to pay for the repairs to the Kingdome are retired, the county hotel-motel tax will be distributed into the account dedicated to the arts and heritage programs until December 31, 2015;
- beginning January 1, 2021, at least 37.5 percent of the county hotel-motel tax revenues will be distributed for affordable workforce housing and services for homeless youth; and
- beginning January 1, 2021, at least 37.5 percent of the county hotel-motel tax revenues will be distributed for art museums, cultural museums, heritage museums, the arts, and the performing arts.

**Summary of Bill (Recommended Substitute):** The use of hotel-motel tax revenues by a local jurisdiction are amended. Beginning January 1, 2021, at least 37.5 percent of the county hotel-motel tax revenues is authorized to be used by a county with a population of 1.5 million or more to repay general obligations and revenue bonds issued to finance loans or grants made to nonprofit organizations or public housing authorities for affordable workforce housing located within one-half mile of a transit station. The remainder of the hotel-motel tax revenues as specified under statute are authorized to be used for contracts, loans, or grants; to fund capital or operating programs for tourism promotion; or to repay general obligations and revenue bonds issued to finance such tourism promotion expenditures. No more than 50 percent of the projected available funds in 2021, however, may be bonded for the financing of each of those activities prior to 2021.

Applicants in King County seeking use of lodging tax revenues for tourism-related projects must submit their applications to the local lodging tax advisory committee.

**EFFECT OF CHANGES MADE BY TRADE & ECONOMIC DEVELOPMENT COMMITTEE (Recommended Substitute):**

- Provides that no more than 50 percent of the projected available funds in 2021 may be bonded for the financing of each of the following categories: (1) loans or grants to nonprofit organizations or public housing authorities for affordable workforce housing within one-half mile of a transit station; or (2) loans or grants for tourism promotion prior to 2021.
- Requires applicants in King County seeking use of lodging tax revenues for tourism-related projects to submit their applications to the local lodging tax advisory committee.

**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 on Original Bill:**

Testimony From 2013 Regular Session.

PRO: This is a technical amendment. In 2011 when the Legislature dealt with the lodging tax in King County, there was a split of the lodging tax effective in the year 2011. At the time we all thought that those funds available in 2021 could be used as security for bonds issued for housing projects or tourism-related facilities. The bonding counsel disagreed. The bill clarifies that the funds in 2021 are available to be used as security for such bonds. This bill will help to get the workforce housing projects going to house low-wage workers around King County. This bill does not modify the substantive definition of tourism that currently exists in statute.

OTHER: SeaTac has concerns with this legislation. The concern is with the definition of tourism promotion as it is defined in the bill. Of the revenues generated from the tax, 14 percent comes from SeaTac. The needs for tourism promotion in SeaTac are operational needs, not capital. The concern is if you redefine tourism promotion to include facilities, that money could easily go toward facilities and not toward operations. The city of SeaTac would likely not receive any funding for operations.

Testimony From 2014 Regular Session.

PRO: This bill would allow the King County Council to take a portion of the revenues from the two buckets of the lodging tax and bond so that it can do some capital projects. The Council is also looking to do workforce housing for tourism-related workers that is transit oriented in nature. This bill will provide the tools to leverage the lodging tax dollars to get affordable workforce housing projects built and will benefit a lot of people that need to commute to work and need close access to a transit station.

CON: The city of SeaTac is opposed to the portion of the bill that allows tourism funds to be bonded. The city is opposed because it allows 25 percent of the lodging tax money to be allocated to tourism and that full amount to be bonded. Once the revenue is bonded, the city of SeaTac is concerned that most or all of the revenue will be dedicated to capital construction and not to operations.

OTHER: The Washington State Convention Center and Visit Seattle have no problem with the housing provision in the bill but have an issue with the tourism provision. Since this bill was introduced in the committee last year, there have been reforms made to the lodging tax provisions. However, there was an exemption for King County from using the local lodging tax advisory board as part of the approval process for projects using lodging tax revenues as it concerned workforce housing and funding for the arts. An amendment to the bill would require King County to use the local lodging tax advisory board for the tourism portion of the lodging tax revenues.

**Persons Testifying:**

Persons Testifying From 2013 Regular Session.

PRO: Becky Bogard, Seattle Convention and Visitors Bureau; Genesee Adkins, King County; Harry Hoffman, Housing Development Consortium of Seattle.

OTHER: Briahna Taylor, city of SeaTac.

Persons Testifying From 2014 Regular Session.

PRO: Ma Leonard, Enterprise Community Partners; Bill Rumpf, Mercy Housing NW; Stefan Moritz, Unite Here Local; Paul Purcell, Beacon Development Co.; Megan Hyla, King County Housing Authority; Poppi Handy SMR Architects; Dan Landes, Shelter Resource Inc.; Marty Kooista, Housing Development Consortium Seattle-King County.

CON: Briahna Taylor, city of SeaTac.

OTHER: Becky Bogard, WA State Convention Center PFD, Visit Seattle; Jan Simon, WA Lodging Assn.