

SENATE BILL REPORT

ESSB 5943

As Passed Senate, March 15, 1995

Title: An act relating to convention and trade centers.

Brief Description: Financing convention and trade centers.

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senators Rinehart, Prince, Sheldon, Deccio and Kohl).

Brief History:

Committee Activity: Ways & Means: 2/28/95, 3/6/95 [DPS].
Passed Senate, 3/15/95, 38-11.

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 5943 be substituted therefor, and the substitute bill do pass.

Signed by Senators Rinehart, Chair; Loveland, Vice Chair; Drew, Fraser, Gaspard, Hargrove, Johnson, McDonald, Pelz, Sheldon, Snyder, Spanel, Winsley and Wojahn.

Staff: Terry Wilson/Susan Lucas (786-7715)

Background: The Washington State Convention and Trade Center (WSCTC) is a public nonprofit corporation created by the Washington State Legislature in 1982. Construction of the WSCTC facility was financed by general obligation bonds. Total bonds authorized for the WSCTC are \$160,765,000. Construction was completed in 1988, when WSCTC held its first event. The mission of WSCTC is to operate a nationally competitive convention and trade facility in the city of Seattle. WSCTC is currently operating at capacity and ranks near the bottom when compared to other convention centers in terms of prime exhibition space.

The state imposes a sales tax on lodging in King County to finance the WSCTC. The tax is imposed in Seattle at a rate of 7 percent and in the remainder of King County at a rate of 2.8 percent. The rate is to be reduced to 6 percent in Seattle and to 2.4 percent in the remainder of King county on October 1 following the first fiscal year after fiscal year 1998 that revenues for that fiscal year exceed debt service by \$2 million. This tax only applies to premises with 60 or more lodging units.

The sales tax is imposed on each retail sale of most articles of tangible personal property and certain services. Taxable services include construction, repair, telephone, lodging of less than 30 days, physical fitness, and some recreation and amusement services. The use tax is imposed on the use of articles of tangible personal property when the sale or acquisition has not been subject to the sales tax. The use tax commonly applies to purchases made from out-of-state firms.

The state tax rate is 6.5 percent of the selling price. Local governments may levy additional sales taxes. The average local sales tax rate is 1.5 percent. The sales tax is paid by the purchaser and collected by the seller.

Summary of Bill: A county or city may impose an additional sales and use tax of up to 0.1 percent if approved by the voters. A city cannot levy the tax unless the county waives its right to levy the tax in the city. The tax can be used to fund stadium facilities, convention center facilities, performing arts center facilities, and visual arts center facilities, expansion of the convention and trade center, and construction of a major league baseball stadium.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill contains an emergency clause and takes effect July 1, 1995.

Testimony For: Conventions today require more exhibit space. The WSCTC would earn more revenue if the exhibit space was larger. Expansion of the WSCTC will help revitalize downtown and will boost the Seattle and Puget Sound economy. Expansion activities and a larger WSCTC will create jobs. The task force and the City of Seattle have made a commitment to replace lost housing before the expansion is started. The taxes are paid by people visiting from outside the state. The fiscal note does not show the sales taxes paid by these tourists. There is no loss to the general fund because the taxes would not be owed if the center is not expanded. This will put money into the general fund.

Testimony Against: Housing should not be demolished to make way for the expansion. Many residents are old and moving would be traumatic. The neighborhood is convenient to downtown and should be retained. Replacement housing will be more expensive, smaller and in a less desirable location. The budget for replacement housing is not sufficient to adequately replace all units that will be demolished. A Seattle economist determined that the tax revenues generated by the project are only one-half of the amounts portrayed by the proponents.

Testified: Senator Eugene Prince; Jon Gould, Tenants Union; Don Duran, Tenants Union; Alan Darr, International Union of Operating Engineers; Dan Sexton, Association of Plumbers and Pipefitters; John Christison, WSCTC; Rick Bender, WSCTC; Jim Griffin, WSCTC; Jan Drago, City of Seattle; Linda J. Granat, Seattle V.I.P. Services, Inc.; Jerry Ernst, Downtown Seattle Association; Michael Smith, Totally Michael's.

House Amendment(s): State Convention and Trade Center. Beginning January 1, 2000, the city of Seattle may levy an excise tax of 2 percent on the furnishing of lodging on premises with 60 or more lodging units. The tax is credited against the state sales tax. The moneys collected from the tax are deposited into the state convention and trade center account. Funds must be used to expand the state trade and convention center.

The reduction in the state lodging tax rate in King County is delayed until all debt is retired. Also, the sales tax on construction of the facility is deposited into the convention and trade center account.

Convention Facilities. Counties with a population between 500,000 and one million (Pierce) may impose a 5 percent hotel/motel tax for visitor promotion, acquisition, construction, financing of convention facilities and facilities to support major tourism destination attractions that serve one million or more visitors a year.

The cities of Bellevue and Yakima may continue to levy the basic 2 percent hotel/motel tax as long as bonds issued at any time are outstanding.

Yakima city and county may impose the additional 3 percent while imposing the basic 2 percent.

The Kingdome may be operated or managed by a private entity.