

SENATE BILL REPORT

SB 5943

As Reported By Senate Committee On:
Ways & Means, March 6, 1995

Title: An act relating to convention and trade centers.

Brief Description: Providing for expansion of the Washington state convention and trade center.

Sponsors: Senators Rinehart, Prince, Sheldon, Deccio and Kohl.

Brief History:

Committee Activity: Ways & Means: 2/28/95, 3/6/95 [DPS].

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: Susan Lucas/Terry Wilson (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.

Summary of Substitute Bill: For the purposes of funding stadium facilities, convention center facilities, performing arts center facilities, and visual arts center facilities, a county may impose county-wide an additional sales and use tax of up to 0.1 percent, an additional hotel/motel tax of up to 2.0 percent, and an additional admissions tax of up to 5.0 percent. None of these taxes may be imposed unless first approved by the voters.

Substitute Bill Compared to Original Bill: The original bill provided the following:

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 tax is collected by the Department of Revenue at no cost to the city. However, the moneys collected from the tax are deposited into the state convention and trade center account. Funds must be used to expand the WSCTC, to build replacement housing which would be demolished to expand the WSCTC, and to repay loans from the state or bonds issued to fund the WSCTC expansion.

The WSCTC may expend funds for real estate appraisals, design, planning and environmental studies upon passage of the bill. No other expenditures may be made until the WSCTC Board of Directors receives an irrevocable commitment for funding from a private or public entity.

The limit on authorization of bonds for the WSCTC is raised by \$100 million. Proceeds from the sale of bonds must be used for expansion of the WSCTC, construction of replacement housing and repayment of loans from the state. The convention and trade center account retains all investment earnings on bond proceeds.

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.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill contains an emergency clause and takes effect immediately.

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.