

HOUSE BILL REPORT

ESHB 2192

As Passed Legislature

Title: An act relating to a mechanism for financing stadium and exhibition centers and education technology grants.

Brief Description: Financing a stadium and exhibition center and technology grants.

Sponsors: By House Committee on Trade & Economic Development (originally sponsored by Representatives Van Luven and Wolfe; by request of Governor Locke).

Brief History:

Committee Activity:

Trade & Economic Development: 3/3/97, 3/5/97 [DPS].

Floor Activity:

Passed House: 4/25/97, 56-41.

Passed Legislature.

HOUSE COMMITTEE ON TRADE & ECONOMIC DEVELOPMENT

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 5 members: Representatives Van Luven, Chairman; Dunn, Vice Chairman; Alexander; Ballasiotes and Mason.

Minority Report: Do not pass. Signed by 4 members: Representatives Veloria, Ranking Minority Member; Sheldon, Assistant Ranking Minority Member; McDonald and Morris.

Staff: Kenny Pittman (786-7392);
Bill Robinson (786-7140).

Background: Currently in the United States, 105 baseball, football, basketball and hockey teams exist at the major league level. Because some teams play in multi-purpose facilities, these 105 teams play in 83 different stadiums and areas that are located in 24 states and Washington, DC. Historically, stadiums were often built as public works projects, but over time, public sentiment has shifted as costs have escalated and sports teams and players have become big business. Team owners are now more willing to contribute to the cost of new stadiums and negotiate with public entities for stadium revenues.

In the Washington, a public facilities district may be created in any county by the county legislative authority. A public facilities district is authorized to acquire, own and operate sports facilities, entertainment facilities, and convention facilities. A public facilities district is governed by a board of directors that are appointed by the county legislative authority. There are currently two public facility districts in the state; one in Spokane County for a sports and entertainment arena and one in King County for a new baseball stadium.

Sales tax is imposed on retail sales of most items of tangible personal property and some services. Use tax is imposed on the use of an item in this state, when the acquisition of the item has not been subject to sales tax. The combined state and local sales and use tax rate is between 7 percent and 8.6 percent, depending upon location.

The State Lottery Commission administers several games of chance that are collectively called the State Lottery. The commission is directed by statute to operate the lottery to "produce the maximum amount of net revenues for the state consistent with the dignity of the state and the general welfare of the people."

Cities and counties may impose a tax of up to 5 percent on admissions to events except elementary and secondary school events. The county tax may not apply within cities that impose the tax.

A special 2 percent sales tax on hotel-motel room rentals was authorized in 1967 for King County to build the KingDome. The tax is credited against the state sales tax; therefore, the total amount of tax paid by the consumer is not increased as a result of the basic hotel-motel tax. In King County, this tax is scheduled to expire in 2012. At that time, cities in King County will be able to levy their own hotel-motel tax.

Property owned by federal, state, or local governments is exempt from the property tax. However, private lessees of government property are subject to the leasehold excise tax. The purpose of the tax is to impose a tax burden on persons using publicly-owned, tax-exempt property similar to the property tax that they would pay if they owned the property. The tax rate of 12.84 percent is imposed on the amount paid in rent for the public property.

Summary of Bill: A new Public Stadium Authority is created and a financing package is provided for the construction of a multi-use stadium and exhibition facility.

Public Stadium Authority:

A new Public Stadium Authority is authorized in any county that has an agreement with a professional football team to develop a stadium and exhibition center. The Public Stadium Authority must be created by the county legislative authority and will

be governed by a seven member board of directors appointed by the Governor. The Public Stadium Authority may accept the KingDome property but not the outstanding debt, select the site, construct a stadium and exhibition center and enter into a long-term development and lease agreement with a professional football team. The Public Stadium Authority can also enter into agreements for expediting the permit process with a city or county, filming rights for the demolition of the KingDome, selling stadium permanent seat licenses, sharing profits on the exhibition center, and naming of the stadium.

The Public Stadium Authority is exempt from the public works laws except it must comply with prevailing wage statutes and county women and minority business participation goals. The Public Stadium Authority is also exempt from public disclosure of any financial information it obtains of users of the stadium.

Financing of the Stadium:

The construction of the new football stadium and exhibition center (projected to cost \$425 million) is financed by a combination of state, local and private sources.

State revenue sources: The county may impose a sales and use tax at a rate of .016 percent. This tax is credited against the state sales and use tax; therefore, consumers will not see an increase in tax. The tax and credit expire when the bonds are retired, but not later than 23 years after the tax is first collected. The revenues will be deposited into the stadium and exhibition center account and used to retire bonds issued for the construction of the stadium and exhibition center.

The Lottery Commission is directed to conduct new games and distribute \$6 million in 1998 to the stadium and exhibition center account. The amount of the distribution increases by 4 percent each year. The distributions end when the bonds are retired, but no later than 2020. The operator of the stadium must promote the lottery with in-kind advertising, sponsorship or prize promotions valued at \$1 million annually.

A retail sales tax deferral is provided on the costs of constructing the facility. The deferral applies to labor and services, material and supplies, rental of equipment, and other retail transactions. The sales tax must be repaid over a ten year period and the payments will be deposited into the stadium and exhibition center account.

A leasehold excise tax exemption is provided for public or entertainment areas in the facility. The exemption does not apply to the private offices or locker rooms.

The state sales tax does not apply to vehicle parking fees charged at the stadium and exhibition center.

Local revenue sources: King County may impose a 10 percent tax on the admissions to events in the new stadium and exhibition center and a 10 percent tax on vehicle parking at the new facility. The revenues are for payment of the bonds issued to construct the stadium and exhibition center and after the bonds are retired, these revenues may be used to repair, equip and make capital improvements to the facilities.

King county's share of the current 2 percent hotel-motel tax is extended from 2012 to 2015 and the revenues may be used for KingDome repairs and debt. In addition, 75 percent of the current county-imposed 1 percent car rental tax must be used for KingDome repairs and debt.

King county's share of the 2 percent hotel-motel tax is extended an additional five years to 2020 and the revenues are deposited into the stadium and exhibition center account to repay the bonds issued for the new stadium and exhibition center.

Private contributions: The team is required to contribute \$100 million, \$50 million by August 1, 1997 and \$50 million prior to completion of the stadium, for the construction of the stadium and exhibition center. In addition the team must contribute \$10 million for youth athletic facilities.

Other provisions: Any revenues from the Olympic games and world cup soccer events above actual costs are put into a new account and are to be used for tourism development and promotion. Revenues from the filming rights of the demolition of the KingDome are deposited into a new account and are to be used for promoting the film and video production industry.

State Bonds:

The state is authorized to issue \$300 million general obligation bonds for the construction of the new stadium and exhibition center and the principal and interest on those bonds will be paid from the state and local revenue sources.

The bonds can not be issued until the Office of Financial Management has certified: (1) that the team will play its home games in the new stadium for the life of the bonds, (2) the team is responsible for cost overruns, (3) the team has committed at least \$100 million toward the cost of the stadium, (4) that 10 percent of the seats are "affordable," (5) that one luxury box will be made available as a free upgrade to purchasers of certain tickets, (6) the team has contributed \$10 million to the youth athletic facility account, (7) the team will provide free office space to the public stadium authority, (8) the team will spend at least \$10 million to mitigate the impact of construction and operation of the stadium on the surrounding neighborhood, (9) that 20 percent of net profits from the exhibition facility will be given to the permanent school construction fund, (10) that if a majority interest in the team is

sold, 10 percent of the gross selling price is granted to the state to retire the public debt of the stadium or if the debt is retired, to pay for capital improvements to the stadium, (11) the football team that will use the stadium is owned by a person that is a resident of the state since January 1, 1993, (12) the Public Stadium Authority is created, and (13) the local taxes are enacted.

The total public share of the stadium and exhibition center is limited to \$300 million and the bonds issued for the stadium and exhibition center are exempt from the state 7 percent debt limit.

Youth Athletic Facility Grants:

The team must contribute \$10 million by August 1, 1997 and any revenues from the state and local tax sources that are in excess of the bond payments are for youth athletic facility grants. The grants will be administered by the Interagency Committee for Outdoor Recreation for grants to city, county and nonprofit organizations on a competitive basis for youth and community athletic facilities.

Voter Approval:

The entire stadium and exhibition center proposal is referred to a vote of the people at a special election to be held on or before June 20, 1997. The proposal is null and void unless the team agrees to pay the full cost of the election.

Appropriation: None.

Fiscal Note: Requested.

Effective Date: The bill shall be submitted to the voters at a special election on or before June 20, 1997.

Testimony For: The financing of the stadium has to be a statewide effort. The financing package is fair in that the revenue comes from users of the facility and sports fans. The proposal is more than just a stadium for the Seattle Seahawks. It will provide a facility for international soccer and technology-based education grants to school districts. Sports and education do work together and it's another way to help educate the children of our state. The facility will create needed jobs during the construction and the daily operation periods. Give the citizens the opportunity to vote on the wholesale tax used to finance the stadium and education grants.

Testimony Against: The wholesale tax will place an unfair disadvantage on licensed products against those products that are not licensed. The wholesale tax will hurt the business of sports-licensed products in the state. Business will be forced to pass the

tax on to the consumers. Minor league sports products should be exempt from the wholesale tax. If the goal of the financing package is a user fee, then taxing the other sports associations for a facility it gets no benefit from is unfair. The proposed car rental tax increase to 20 percent will make King County the highest car rental tax rate in the country. Most people that rent cars are local residents not tourist. A new stadium is not necessary to field a competitive team or to fill the seats.

Testified: TO ORIGINAL BILL -- Marty Brown and Jim Kelley, Governor's Office (pro); Bert Kolde and Bob Whitsett, Football Northwest, Inc (pro); Dennis Erickson and Gary Wright, Seattle Seahawks (pro); Fred Mendoza, Northwest Soccer Stadium Committee (pro); Carolyn Holmes (pro); Jean Amuluxen, Superintendent of Public Instruction's Office (pro); Richard Leigh, Football Northwest, Inc. (pro); Smokey Simons (pro); Kit Hawkins, Washington Restaurant Association (pro); Gary Nelson (pro); Eartha Brooks (pro); Cathie Burt (pro); Greg Frye (pro); Angela Tara (pro); Donald Eighelberger (pro); Lovis Poter (pro); Robert Stephens (pro); William Scott (pro); Mark Collins (pro); Dan Henderson (pro); Mick McHugh (pro); Wayne Lindy (pro); Marie Rudler (pro); Billie Pearl (pro); Vincent Richichi (pro); Glen Logan (pro); John Thorson, Snohomish County Economic Development Council (pro); Reba Lucey (pro); Bart Clennon (pro); Mark Johnson (pro); Angela Tarah, Tarah and Associates (pro); Dan Stephenson and Ron Merrin, Washington State Youth Soccer Association (pro); John Duncan (pro); Tina Bueche (pro); Clark Kokich, Seattle Olympic Bid Committee (pro); Dick Langley (pro); Michael Campbell, Sports and Events Council of Seattle/King County (pro); Mike Anderson (pro); Ryan Firoved (pro); Tim Hammer (pro); Pauline VanSenusets (pro); Charles Graham (pro); Terry Malm (pro); George Schroeder (pro); Bob and Margaret Bavasi, Everett Aquasox Baseball (con); Lisa Uriguen, Trademark Management (con); Jeffrey Mishkin and Richard Buchanan, National Basketball Association (con); Paul Kelley, Nike, Inc. (con); Gordon Walgren, Car and Truck Rental and Leasing Association (con); Chad Harkness, Budget Rent a Car (con); Scott Yagschi, Enterprise Car Rental (con); Rick Lucas, Thrifty Car Rental (con); Scott Soteberg, Friends of Athletic Fields (con); Anita Parker, Greater Seattle Soccer Association (con); Ron Hudnall, JC Penney (con); Kent Rolde (con); Chris Clifford (con); Brian Livingston, Civic Foundation (con); Ray Stebbins, A to B Auto Rental (con); Thomas Heller (con); and Harold Chambers, Sherry Bockwinkle and Shawn Neuman, Citizens for Legislative Ethics and Accountability Now - CLEAN (con).